DIRECT TESTIMONY

of

THERESA EBREY

Accountant
Accounting Department
Financial Analysis Division
Illinois Commerce Commission

Illinois-American Water Company

Docket No. 02-0690

1 Witness Identification

- 2 Q. Please state your name and business address.
- 3 A. My name is Theresa Ebrey. My business address is 527 East Capitol
- 4 Avenue, Springfield, Illinois 62701.
- 5 Q. By whom are you employed and in what capacity?
- 6 A. I am currently employed as an Accountant in the Accounting Department
- 7 of the Financial Analysis Division of the Illinois Commerce Commission
- 8 ("ICC" or "Commission").
- 9 Q. Please describe your professional background and affiliations.
- 10 A. I have a Bachelor of Science degree in Accounting from Quincy College.
- 11 I am a Certified Public Accountant, licensed to practice in the State of
- 12 Illinois. My prior accounting experience includes fifteen years as the
- corporate controller of a large long-term care facility in Illinois, as well as
- a period of time employed as an outside auditor of governmental
- agencies. I joined the Staff of the Illinois Commerce Commission
- 16 ("Staff") in April 1999.
- 17 Q. Have you previously testified before any regulatory bodies?
- 18 A. Yes. I have testified on several occasions before the Commission.
- 19 Q. What is the purpose of your testimony in this proceeding?

20 Α. I have reviewed and analyzed Illinois-American Water Company's 21 ("IAWC" or "Company") filing, and the underlying data. 22 The purpose of my testimony is to: 23 1) present the Commission Staff's adjusted operating statements 24 and Rate Base for IAWC, and 25 2) propose adjustments to the Company's operating statement 26 and Rate Base concerning Interest Synchronization and Gross 27 Revenue Conversion Factor. 28 Schedule Identification 29 Q. Are you sponsoring any schedules as part of ICC Staff Exhibit 1.0? 30 Α. Yes. I am sponsoring the following schedules for the Company, which 31 show data as of, or for the test year ending December 31, 2003: 32 Schedule 1.1 - Statement of Operating Income with Adjustments 33 Schedule 1.2 - Adjustments to Operating Income 34 Schedule 1.3 - Rate Base 35 Schedule 1.4 - Adjustments to Rate Base 36 Schedule 1.5 - Interest Synchronization Adjustment 37 Schedule 1.6 - Gross Revenue Conversion Factor 38 Q. What is the purpose of the letters which follow the Schedule numbers? 39 Α. The letters identify rate areas as follows: 40 SPSP - Southern, Peoria, Streator, Pontiac 41 C - Champaign

42 S - Sterling 43 Ρ - Pekin 44 L - Lincoln 45 CMW - Chicago Metro Water 46 CMS - Chicago Metro Sewer 47 Thus, Schedule 1.1-SPSP provides information for the Southern, Peoria, 48 Streator, Pontiac rate area. This rate area designation is a part of each 49 schedule number to ease identification of which rate areas are affected 50 by specific adjustments. 51 Revenue Requirement Schedules 52 Q. Do you have any general comments regarding the revenue requirement 53 schedules? 54 A. Yes, I do. The results for Sterling and Lincoln must be distinguished 55 from the results for the other rate areas. Unlike the other rate areas, the 56 schedules for Sterling and Lincoln show that the Company has 57 supported the revenue increases it requested for these rate areas. 58 These increases are set forth on line 3 of column (q) of Schedule 1.1-S 59 and Schedule 1.1-L. Therefore, the Commission should grant the 60 revenue increases the Company requested for Sterling and Lincoln. 61 Q. Please describe Schedule 1.1, for each rate area, Statement of 62 Operating Income with Adjustments.

64 Staff proposed Rate of Return. Column (b) presents the Company's pro 65 forma operating statement at present rates for the test year as reflected 66 on its Schedule C-2. Column (c) reflects the total of all Staff Adjustments 67 shown on Schedule 1.2. Column (d) reflects the pro forma operating 68 statement at present rates per Staff. Column (e) presents the 69 Company's Proposed Increase to Revenue. Column (f) adjusts revenue 70 to reflect Staff's Gross Revenue Conversion Factor. Column (g) is 71 Staff's pro forma operating statement inclusive of the Company's 72 proposed revenue increase. Column (h) is the necessary reduction from 73 the Company's proposed revenues, adjusted for Staff's Gross Revenue 74 Conversion Factor, to arrive at Staff's computed Revenue Requirement 75 reflected in column (i). Net Operating Income in column (i), line 27, is the 76 product of Rate Base, line 28, and Rate of Return, line 29. 77 For all rate areas other than Sterling and Lincoln, Line 30 is the 78 difference between current revenues and required revenues as 79 determined by Staff. Line 31 is Staff's calculated percentage change in 80 revenues. 81 For the Sterling and Lincoln rate areas, Line 31 is the difference between 82 current revenues and revenues requested by the Company. Line 32 is 83 the percentage change in revenues based on the Company's requested

Schedule 1.1, for each rate area, derives the required revenue at the

63

Α.

- increase. Line 30 represents the calculated Return on Staff Rate Base at the Company's requested amount of increase.
- Q. Please describe Schedule 1.2, for each rate area, Adjustments toOperating Income.
- 88 Α. Schedule 1.2, for each rate area, identifies Staff's adjustment to 89 Operating Income. The source of each adjustment is shown in the 90 heading of each column. For comparability between the different rate 91 areas, columns for every adjustment to Operating Income proposed by 92 Staff witnesses appear on all Schedules 1.2; however, the column is 93 designated as "(Not Applicable)" for those rate areas not affected by a 94 given adjustment. Column (ag) from page 4 is carried forward to 95 Schedule 1.1, column (c).
- 96 Q. Please describe Schedule 1.3, for each rate area, Rate Base.
- 97 A. Schedule 1.3, for each rate area, compiles Staff's Rate Base. Column
 98 (b) reflects the Company's proposed Rate Base. Column (c)
 99 summarizes Staff's adjustment to Rate Base. Column (d) is the net of
 100 columns (b) and (c), and reflects Staff's computed Rate Base.
- 101 Q. Please describe Schedule 1.4, for each rate area, Adjustments to Rate102 Base.

A. Schedule 1.4, for each rate area, identifies Staff's adjustments to Rate

Base. For comparability between the different rate areas, columns for

every adjustment to Rate Base proposed by Staff witnesses appear on

all Schedules 1.4; however, the column is designated as "(Not

Applicable)" for those rate areas not affected by a given adjustment.

Column (q) from page 2 is carried forward to Schedule 1.3, column (c).

Interest Synchronization

109

- 110 Q. Please describe Schedule 1.5, for each rate area, Interest111 Synchronization Adjustment.
- 112 A. Schedule 1.5, for each rate area, computes the interest component of 113 Revenue Requirement. The Interest expense (component) is computed 114 by multiplying the Rate Base by Weighted Cost of Debt. The calculated 115 Interest Expense is then compared against the Interest Expense used by 116 the Company in its computation of test year Income Tax Expense. The 117 tax effect of the difference in Interest Expense is the adjustment for 118 Interest Synchronization. The effect of this adjustment is to ensure that 119 the Revenue Requirement reflects the tax savings generated by the 120 interest component of Revenue Requirement.

121 Gross Revenue Conversion Factor

122 Q. Please describe Schedule 1.6, for each rate area, Gross Revenue123 Conversion Factor.

A. Schedule 1.6, for each rate area, presents Staff's proposed Gross

Revenue Conversion Factor ("GRCF"). The GRCF is multiplied by the

income deficiency to determine the total amount of revenue required for

the income deficiency and the associated increase in income tax

expense and uncollectible expense. The GRCF is used in the

calculation of the Revenue Requirement in columns (F) through (H) of

Schedule 1.1.

131 Conclusion

- 132 Q. Does this question end your prepared direct testimony?
- 133 A. Yes.

Docket No. 02-0690 ICC Staff Exhibit 1.0 Schedule 1.1-SPSP Page 1 of 1

Illinois-American Water Company Southern/Peoria/Streator/Pontiac Statement of Operating Income with Adjustments

For the Test Year Ending December 31, 2003

Line No.	Description	Company Pro Forma Present (Company Schedule C-2)	Staff Adjustments (Staff Ex. 1.0 Sch. 1.2-SPSP)	Staff Pro Forma Present (Cols. b+c)	Company Proposed Increase (Company Schedule C-1)	Staff Gross Revenue Conversion Factor	Proposed Rates With Staff Adjustments (Cols. d+e+f)	Adjustment To Proposed Increase	Staff Pro Forma Proposed (Cols. g+h)
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1 2	Operating Revenue	\$ 77,778,637	\$ -	\$ 77,778,637	\$ 17,317,145 	\$ 2	\$ 95,095,784	\$ (7,232,815)	\$ 87,862,969
3	Total Operating Revenue	77,778,637	-	77,778,637	17,317,145	2	95,095,784	(7,232,815)	87,862,969
4	Uncollectible Accounts Expense	508,273	-	508,273	104,769	-	613,042	(43,759)	569,283
5	Labor	12,915,569	(270,481)	12,645,088	-	-	12,645,088	-	12,645,088
6	Fuel & Power	2,803,973	(68,299)	2,735,674	-	=	2,735,674	=	2,735,674
7	Chemicals	2,949,363	(372,068)	2,577,295	-	-	2,577,295	-	2,577,295
8	Waste Disposal	907,318	-	907,318	-	-	907,318	-	907,318
9	Management Fees	3,302,514	(117,151)	3,185,363	-	-	3,185,363	-	3,185,363
10	Group Insurance	3,767,499	-	3,767,499	-	-	3,767,499	-	3,767,499
11	Pensions	1,670,707	-	1,670,707	-	-	1,670,707	-	1,670,707
12	Regulatory Expense	70,907	-	70,907	-	-	70,907	-	70,907
13	Insurance - other	1,479,711	-	1,479,711	-	-	1,479,711	-	1,479,711
14	Customer Accounting	1,096,557	-	1,096,557	-	-	1,096,557	-	1,096,557
15	Rents	270,026	(34,138)	235,888	-	-	235,888	-	235,888
16	General Office Expense	946,106	-	946,106	-	-	946,106	-	946,106
17	Maintenance - other	3,983,958	(2,107,054)	1,876,904		-	1,876,904	-	1,876,904
18	Miscellaneous	8,170,827	(58,720)	8,112,107	-	-	8,112,107	-	8,112,107
19	Depreciation & Amortization	16,564,334	(1,364,547)	15,199,787	-	-	15,199,787	-	15,199,787
20	Taxes other than Income	5,400,542	-	5,400,542	-	-	5,400,542	_	5,400,542
21	Total Operating Expense								
22	Before Income Taxes	66,808,184	(4,392,458)	62,415,726	104,769	-	62,520,495	(43,759)	62,476,736
23	State Income Tax	301,098	33,415	334,513	683,159	2	1,017,674	(285,334)	732,340
24	Federal Income Tax	1,001,431	1,831,338	2,832,769	5,785,226	-	8,617,995	(2,416,306)	6,201,689
25	ITCs Net	(158,213)	· · · -	(158,213)	, , , ₋	-	(158,213)	-	(158,213)
26	Total Operating Expenses	67,952,500	(2,527,705)	65,424,795	6,573,154	2	71,997,951	(2,745,399)	69,252,552
27	NET OPERATING INCOME	\$ 9,826,137	\$ 2,527,705	\$ 12,353,842	\$ 10,743,991	\$ -	\$ 23,097,833	\$ (4,487,416)	\$ 18,610,417

Staff Rate Base (ICC Staff Exhibit 1.0, Schedule1.3-SPSP, Column (d)) Staff Overall Rate of Return (ICC Staff Exhibit 6.0, Schedule 6.01)

Revenue Change (Col. (i) Line 3 minus Col. (d), Line 3)

Percentage Revenue Change (Col. (i), Line 30 divided by Col. (d), Line 3)

\$ 252,173,628 7.38%

\$ 10,084,332 12.97%

Docket No. 02-0690 ICC Staff Exhibit 1.0 Schedule 1.2-SPSP Page 1 of 4

Illinois-American Water Company

				_	_				Cost of	Cos					_		
			Interest chronization		Reverse Osmosis	Incent Compens			pital	Cap Savings			bying ense	E,	Tax opense		Subtotal Operating
Line		-	ff Ex. 1.0		iff Ex. 2.0	(Staff Ex.		(Staff E		(Staff Ex	_	(Staff E			Ex. 3.0		Statement
No.	Description	`	1.5-SPSP)		. 2.1-SPSP)	Sch. 2.2-5		Sch. 2.3		Sch. 2.4		`	5-SPSP)		3.1-SPSP)		<u>djustments</u>
	(a)		(b)		(c)	(d)		(e)	(f)	1		(g)		(h)		(i)
1	Operating Revenue	\$	_	\$	_	\$	_	\$	_	\$	_	\$	_	\$	_	\$	_
2		·	-	·	-		-	·	-		-		-	•	-	·	-
3	Total Operating Revenue		-		-		-		-		-		-	'	-		-
4	Uncollectible Accounts Expense		_		-		_		_		_		_		-		-
5	Labor		-		-	(27	0,481)		-		-		-		-		(270,481)
6	Fuel & Power		-		-		-		-		-		-		-		-
7	Chemicals		-		-		-		-		-		-		-		-
8	Waste Disposal		-		-		-		-		-		-		-		-
9	Management Fees		-		-	(10	9,454)		-		-		(7,697)		-		(117,151)
10	Group Insurance		-		-		-		-		-		-		-		-
11	Pensions		-		-		-		-		-		-		-		-
12	Regulatory Expense		-		-		-		-		-		-		-		-
13	Insurance - other		-		-		-		-		-		-		-		-
14	Customer Accounting		-		-		-		-		-		-		-		-
15	Rents		-		-		-		-		-		-		-		-
16	General Office Expense		-		-		-		-		-		-		-		-
17	Maintenance - other		-		-		-		-		-		-		-		-
18	Miscellaneous				-	(1	5,217)		(4,086)	1	14,583		(24,994)		-		70,286
19	Depreciation & Amortization		-		(95,967)		-		-		-		-		-		(95,967)
20	Taxes other than Income																
21	Total Operating Expense																
22	Before Income Taxes		-		(95,967)	(39	5,152)		(4,086)	1	14,583		(32,691)		-		(413,313)
23	State Income Tax		34,614		3,809		5,684		162		(4,548)		1,298		(175,536)		(124,517)
24	Federal Income Tax		293,127		32,255	13	2,814		1,373	(38,512)		10,988		61,868		493,913
25	ITCs Net						_						-				<u>-</u>
26	Total Operating Expenses		327,741		(59,903)	(24	6,654)		(2,551)		71,523		(20,405)		(113,668)		(43,917)
27	NET OPERATING INCOME	\$	(327,741)	\$	59,903	\$ 24	6,654	\$	2,551	\$ (<u>71,523</u>)	\$	20,405	\$	113,668	\$	43,917

Docket No. 02-0690 ICC Staff Exhibit 1.0 Schedule 1.2-SPSP Page 2 of 4

Illinois-American Water Company

				R	eallocate	R	Reallocate				Disallowance	
Line No.	Description	S	Subtotal Operating statement Ijustments		Power Expense (Not pplicable)	I	Chemical Expense (Not pplicable)	Power Expense (Staff Ex. 3.0 Sch. 3.5-SPSP)	Chemical Expense (Staff Ex. 3.0 Sch. 3.6-SPSP)	Security Costs (Staff Ex. 4.0 Sch. 4.1-SPSP)	of Deferred Security Costs (Staff Ex. 4.0 Sch. 4.2-SPSP)	Subtotal Operating Statement Adjustments
	(a)		(j)		(k)		(I)	(m)	(n)	(0)	(p)	(p)
1	Operating Revenue	\$	_	\$	_	\$	_				\$ -	\$ -
2	3	·	-	·	-	•	-	-	-	-	-	-
3	Total Operating Revenue		-		-		-	-	-	-	-	-
4	Uncollectible Accounts Expense		-		-		_		-	-	-	-
5	Labor		(270,481)		-		-	-	-	-	-	(270,481)
6	Fuel & Power		-		-		-	(68,299)	-	-	-	(68,299)
7	Chemicals		-		-		-	-	(372,068)	-	-	(372,068)
8	Waste Disposal		-		-		-	-	-	-	-	-
9	Management Fees		(117,151)		-		-	-	-	-	-	(117,151)
10	Group Insurance		-		-		-	-	-	-	-	-
11	Pensions		-		-		-	-	-	-	-	-
12	Regulatory Expense		-		-		-	-	-	-	-	-
13	Insurance - other		-		-		-	-	-	-	-	-
14	Customer Accounting		-		-		-	-	-	-	-	-
15	Rents		-		-		-	-	-	-	-	-
16	General Office Expense		-		-		-	-	-	-	-	-
17	Maintenance - other		-		-		-	-	-	(980,720)		(980,720)
12	Miscellaneous		70,286		-		-	-	-	-	- (4 000 070)	70,286
13	Depreciation & Amortization		(95,967)		-		-	-	-		(1,606,079)	(1,702,046)
14	Taxes other than Income							·				
15	Total Operating Expense											
16	Before Income Taxes		(413,313)		-		-	(68,299)	(372,068)	(980,720)	(1,606,079)	(3,440,479)
17	State Income Tax		(124,517)		-		-	2,711	14,767	38,925	63,745	(4,369)
18	Federal Income Tax		493,913		-		-	22,956	125,055	329,629	539,818	1,511,371
19	ITCs Net				-		-	<u> </u>				
20	Total Operating Expenses		(43,917)					(42,632)	(232,246)	(612,166)	(1,002,516)	(1,933,477)
21	NET OPERATING INCOME	\$	43,917	\$	-	\$	-	\$ 42,632	\$ 232,246	\$ 612,166	\$ 1,002,516	\$ 1,933,477

Docket No. 02-0690 ICC Staff Exhibit 1.0 Schedule 1.2-SPSP Page 3 of 4

Illinois-American Water Company

Line No.	Description	Subtotal Operating Statement Adjustments	New Depreciation Rates (Staff Ex. 4.0 Sch. 4.3-SPSP)	Additions to Plant in Service (Staff Ex. 4.0 Sch. 4.4-SPSP)	Normalize Tank Painting Expense (Staff Ex. 4.0 Sch. 4.5-SPSP)	Deferred Tank Painting (Staff Ex. 4.0 Sch. 4.6-SPSP)	Purchased Water (Not Applicable)	Waste Disposal Surcharge (Not Applicable)	Subtotal Operating Statement Adjustments
	(a)	(r)	(s)	(t)	(u)	(v)	(w)	(x)	(y)
1 2	Operating Revenue	\$ - 	\$ -	\$ - 	\$ - 	\$ - 	\$ -	\$ -	\$ -
3	Total Operating Revenue	-	-	-	-	-	-	-	-
4	Uncollectible Accounts Expense	-	-	_	-	-	-	_	_
5	Labor	(270,481)	-	-	-	-	-	-	(270,481)
6	Fuel & Power	(68,299)	_	_	-	_	_	-	(68,299)
7	Chemicals	(372,068)		_	-	_	_	-	(372,068)
8	Waste Disposal	-	_	_	-	_	_	_	-
9	Management Fees	(117,151)	_	_	-	_	_	-	(117,151)
10	Group Insurance	-	_	_	-	_	_	_	-
11	Pensions	-	_	_	-	_	_	-	_
12	Regulatory Expense	-	_	_	-	_	_	-	_
13	Insurance - other	-	_	_	-	_	_	_	_
14	Customer Accounting	-	_	_	-	_	_	-	_
15	Rents	-	_	_	-	_	_	_	_
16	General Office Expense	-	_	_	-	_	_	-	_
17	Maintenance - other	(980,720)	_	_	(1,126,334)	_	_	-	(2,107,054)
12	Miscellaneous	70,286	_	_	-	_	_	-	70,286
13	Depreciation & Amortization	(1,702,046)	291,964	(24,636)	-	70,171	-	-	(1,364,547)
14	Taxes other than Income	-	-	-	-	· -	_	-	-
15	Total Operating Expense								
16	Before Income Taxes	(3,440,479)	291,964	(24,636)	(1,126,334)	70,171	_	_	(4,229,314)
10	Boloro moomo raxeo	(0,110,110)	201,001	(21,000)	(1,120,001)	70,171			(1,220,011)
17	State Income Tax	(4,369)	(11,588)	978	44,704	(2,785)	_	_	26,940
18	Federal Income Tax	1,511,371	(98,132)		378,571	(23,585)	_	_	1,776,505
19	ITCs Net		(00,102)		-	(_0,000)	_	_	-
20	Total Operating Expenses	(1,933,477)	182,244	(15,378)	(703,059)	43,801			(2,425,869)
20	Total Operating Expenses	(1,800,477)	102,244	(15,576)	(100,009)	45,001			(2,723,009)
21	NET OPERATING INCOME	\$ 1,933,477	\$ (182,244)	\$ 15,378	\$ 703,059	\$ (43,801)	\$ -	<u> - </u>	\$ 2,425,869

Docket No. 02-0690 ICC Staff Exhibit 1.0 Schedule 1.2-SPSP Page 4 of 4

Illinois-American Water Company

					Waste									- 1	ndustry	
Line No.	Description	· · · · · · · · · · · · · · · · · · ·			Disposal Contract (Not oplicable)		Rents ff Ex. 5.0 . 5.6-SPSP)	Co (Sta	charitable ntributions ff Ex. 5.0 . 5.7-SPSP)	(Staff Ex. 5.0		Advertising (Staff Ex. 5.0 Sch. 5.9-SPSP (ae)		-		Subtotal Operating Statement Adjustments
	(a)		(z)		(aa)		(ab)		(ac)		(ad)		(ae)		(af)	(ag)
1	Operating Revenue	\$	_	\$	_	\$	_	\$	_	\$	_	\$	_	\$	_	\$ -
2		-	-		-	-	-		-		-		-		-	-
3	Total Operating Revenue		-		-	-			-		-		-		-	
4	Uncollectible Accounts Expense		-		-	-	_		-		-		_		-	_
5	Labor		(270,481)			-	-		-		-		-		-	(270,481)
6	Fuel & Power		(68,299)		-	-	-		-		-		-		-	(68,299)
7	Chemicals		(372,068)		-	-	-		-		-		-		-	(372,068)
8	Waste Disposal		-		-	-	-		-		-		-		-	-
9	Management Fees		(117,151)		-	-	-		-		-		-		-	(117,151)
10	Group Insurance		-		-	-	-		-		-		-		-	-
11	Pensions		-		-	-	-		-		-		-		-	-
12	Regulatory Expense		-		-	-	-		-		-		-		-	-
13	Insurance - other		-		-	-	-		-		-		-		-	-
14	Customer Accounting		-			-	-		-		-		-		-	-
15	Rents		-		-	-	(34,138)		-		-		-		-	(34,138)
16	General Office Expense		-			-	-		-		-		-		-	-
17	Maintenance - other		(2,107,054)		-	-	-		-		-		-		-	(2,107,054)
12	Miscellaneous		70,286		-	-	-		(4,946)		(60,846)		(34,398)		(28,816)	(58,720)
13	Depreciation & Amortization		(1,364,547)		-	-	-		-		-		-		-	(1,364,547)
14	Taxes other than Income					:									<u> </u>	
15	Total Operating Expense															
16	Before Income Taxes		(4,229,314)		-	-	(34,138)		(4,946)		(60,846)		(34,398)		(28,816)	(4,392,458)
17	State Income Tax		26,940		-	-	1,355		196		2,415		1,365		1,144	33,415
18	Federal Income Tax		1,776,505			•	11,474		1,662		20,451		11,561		9,685	1,831,338
19	ITCs Net		<u> </u>						<u> </u>						<u>-</u>	
20	Total Operating Expenses		(2,425,869)		-	<u> </u>	(21,309)		(3,088)		(37,980)	-	(21,472)		(17,987)	(2,527,705)
21	NET OPERATING INCOME	\$	2,425,869	\$	_	\$	21,309	\$	3,088	\$	37,980	\$	21,472	\$	17,987	\$ 2,527,705

Docket No. 02-0690 ICC Staff Exhibit 1.0 Schedule 1.3-SPSP Page 1 of 1

Illinois-American Water Company Southern/Peoria/Streator/Pontiac Rate Base

For the Test Year Ending December 31, 2003

Line No.			Company Pro Forma Rate Base (Company Schedule B-2)	Staff Adjustme (Staff Ex. Sch 1.4-SF	1.0	F	Staff Pro Forma Rate Base Col. b+c) (d)
1	Utility Plant in Service	\$	408,604,925	\$ (664	,041) \$	\$	407,940,884
2	FAS 109 Reg. Asset-Net of Liability	•	769,529	, (55	-	•	769,529
3	Less: Accumulated Depreciation		(122,822,292)	(135	,364)	(122,957,656)
4	Net Plant		286,552,162	(799	,405)		285,752,757
5	Additions to Rate Base						
6	Cash Working Capital		5,533,016	(378	,489)		5,154,527
7	Materials & Supplies		831,365	,	,431)		779,934
8	Deferred Charges		8,580,871	(6,259	,885)		2,320,986
9	Savings/Sharing		-		-		-
10							
11 12							
13							
14							
15							
16	Deductions From Rate Base						
17	Contributions in Aid of Construction		(26,900,130)		-		(26,900,130)
18	Accum. Depr. On CIAC		6,665,365	1	,699		6,667,064
19	Customer Advances		(11,488,367)	0.507	-		(11,488,367)
20	Deferred Federal Income Taxe		(10,419,474)	2,507	•		(7,912,451)
21	Seferred State Income Taxes		(2,516,008)	348	,451		(2,167,557)
22	Investment Tax Credit - pre 197		(33,135)				(33,135)
23	Rate Base	\$	256,805,665	\$ (4,632	2,037) 5	\$	252,173,628

Illinois-American Water Company

Line No.	Description	Reverse Osmosis (Staff Ex. 2.0 Sch. 2.1-SPSP)	Accumulated Deferred Taxes (Staff Ex. 3.0 Sch. 3.2-SPSP)	Disallowance of Deferred Security Costs (Staff Ex. 4.0 Sch. 4.2-SPSP)	New Depreciation Rates (Staff Ex. 4.0 Sch. 4.3-SPSP)	Additions to Plant in Service (Staff Ex. 4.0 Sch. 4.4-SPSP)	Deferred Tank Painting (Staff Ex. 4.0 Sch. 4.6-SPSP)	Working Capital (Staff Ex. 5.0 Sch. 5.1-SPSP)	Subtotal Rate Base Adjustments
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Utility Plant in Service	\$ -	\$ -	\$ -	\$ -	\$ (664,041)	\$ -	\$ -	\$ (664,041)
2	FAS 109 Reg. Asset-Net of Liability	-	-	-	-	-	-	-	-
3	Less: Accumulated Depreciation				(147,682)	12,318			(135,364)
4	Net Plant	-	-	-	(147,682)	(651,723)	-	-	(799,405)
5	Additions to Rate Base								
6	Cash Working Capital	_	_	_	_	_	_	(378,489)	(378,489)
7	Materials & Supplies	_	_	_	_	_	_	(=:=,:==)	-
8	Deferred Charges	(383,869)	-	(6,370,804)	-	_	494,788	-	(6,259,885)
9	Savings/Sharing	-	-	-	-	_	-	-	-
10		-	-	-	-	-	-	-	-
11		-	-	-	-	-	_	-	-
12		=	-	-	-	-	-	-	-
13		-	-	-	-	-	-	-	-
14		-	-	-	-	-	-	-	-
15		-	-	-	-	-	-	-	-
16	Deductions From Rate Base	-	-	-	-	-	-	-	-
17	Contributions in Aid of Construction	-	-	-	-	-	-	-	-
18	Accum. Depr. On CIAC	-	-	-	1,699	-	-	-	1,699
19	Customer Advances	-			-	-	-	-	
20	Deferred Federal Income Taxes	-	527,901	2,141,285	-	4,140	(166,303)	-	2,507,023
21	Seferred State Income Taxes	-	115,273	252,284	-	488	(19,594)	-	348,451
22	Investment Tax Credit - pre 1971								
23	Rate Base	\$ (383,869)	\$ 643,174	\$ (3,977,235)	\$ (145,983)	\$ (647,095)	\$ 308,891	\$ (378,489)	\$ (4,580,606)

Illinois-American Water Company

Adjustments to Rate Base

For the Test Year Ending December 31, 2003 Southern/Peoria/Streator/Pontiac

Materials

Line No.	No. Description		•		Adjustments S		Supplies Ex. 5.0 5.2-SPSP)	 (Source)	_	(Source)		(Source)	(Source)	. <u> </u>	(Source)	Subtotal Rate Base djustments
	(a)		(j)		(k)	(1)		(m)		(n)	(0)		(p)	(q)		
1	Utility Plant in Service	\$	(664,041)	\$	-	\$ -	\$	-	\$	-	\$ -	\$	-	\$ (664,041)		
2	FAS 109 Reg. Asset-Net of Liability		-		-	-		-		-	-		-	-		
3	Less: Accumulated Depreciation		(135,364)			 _			_	=	 -		<u>-</u>	 (135,364)		
4	Net Plant		(799,405)		-	-		-		-	-		-	(799,405)		
5	Additions to Rate Base	-												-		
6	Cash Working Capital		(378,489)		-	-		-		-	-		-	(378,489)		
7	Materials & Supplies		-		(51,431)	-		-		-	-		-	(51,431)		
8	Deferred Charges		(6,259,885)		-	-		-		=	-		-	(6,259,885)		
9	Savings/Sharing		-		-	-		-		=	-		-	=		
10		-	-		-	-		-		=	-		-	=		
11		-	-		-	-		-		-	-		-	-		
12		-	-		-	-		-		-	-		-	-		
13		-	-		-	-		-		-	-		-	-		
14		-	-		-	-		-		-	-		-	-		
15		-	-		-	-		-		-	-		-	-		
16	Deductions From Rate Base															
17	Contributions in Aid of Construction		-		-	-		-		-	-		-	-		
18	Accum. Depr. On CIAC		1,699		-	-		-		-	-		-	1,699		
19	Customer Advances		-		-	-		-		-	-		-	-		
20	Deferred Federal Income Taxes		2,507,023		-	-		-		-	-		-	2,507,023		
21	Seferred State Income Taxes		348,451		-	-		-		-	-		-	348,451		
22	Investment Tax Credit - pre 1971		<u> </u>		<u>-</u>	 	_		_		 	_		 -		
23	Rate Base	\$	(4,580,606)	\$	(51,431)	\$ 	\$		\$		\$ <u>-</u>	\$	<u>-</u>	\$ (4,632,037)		

Docket No. 02-0690 ICC Staff Exhibit 1.0 Schedule 1.5-SPSP Page 1 of 1

Illinois-American Water Company

Interest Synchronization Adjustment For the Test Year Ending December 31, 2003 Southern/Peoria/Streator/Pontiac

Line No.	Description	Amount
	(a)	(b)
1	Utility Plant in Service	\$ 252,173,628 (1)
2	Weighted Cost of Debt	2.75% (2)
3	Synchronized Interest Per Staff	6,934,775
4	Company Interest Expense	7,806,893 (3)
5	Increase (Decrease) in Interest Expense	(872,118)
6 7	Increase (Decrease) in State Income Tax Expense at 3.969%	<u>\$ 34,614</u>
8 9	Increase (Decrease) in Federal Income Tax Expense at 35.000%	\$ 293,127

⁽¹⁾ Source: ICC Staff Ex. 1.0, Schedule 1.3-SPSP, Column (d).(2) Source: ICC Staff Exhibit 6.0, Schedule 6.01.

⁽³⁾ Source: Company Exhibit 12, Schedule C-5, page 3 of 9.

Docket No. 02-0690 ICC Staff Exhibit 1.0 Schedule 1.6-SPSP Page 1 of 1

Illinois-American Water Company Gross Revenue Conversion Factor For the Test Year Ending December 31, 2003

or the Test Year Ending December 31, 20
Southern/Peoria/Streator/Pontiac

Line No.	Description	Rate	Per Staff With Bad Debts	Per Staff Without Bad Debts
	(a)	(b)	(c)	(d)
1	Revenues		1.000000	
2	Uncollectibles	0.6050%	0.006050	
3	State Taxable Income		0.993950	1.000000
4 5	State Income Tax Federal Taxable Income	3.9690%	<u>0.039450</u> 0.954500	<u>0.039690</u> 0.960310
6	Federal Income Tax	35.0000%	0.334075	0.336109
7	Operating Income		0.620425	0.624201
8	Gross Revenue Conversion Factor Per Staf		<u>1.611798</u>	1.602048

Docket No. 02-0690 ICC Staff Exhibit 1.0 Schedule 1.1-C Page 1 of 1

Illinois-American Water Company Champaign

Statement of Operating Income with Adjustments For the Test Year Ending December 31, 2003

Line No.	Description	Company Pro Forma Present (Company Schedule C-2)	Staff Adjustments (Staff Ex. 1.0 Sch. 1.2-C)	Staff Pro Forma Present (Cols. b+c)	Company Proposed Increase (Company Schedule C-1)	Staff Gross Revenue Conversion Factor	Proposed Rates With Staff Adjustments (Cols. d+e+f)	Adjustment To Proposed Increase	Staff Pro Forma Proposed (Cols. g+h)
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1 2	Operating Revenue	\$ 16,931,351 -	\$ -	\$ 16,931,351 -	\$ 3,389,017	\$	\$ 20,320,368	\$ (692,166)	\$ 19,628,202
3	Total Operating Revenue	16,931,351		16,931,351	3,389,017	-	20,320,368	(692,166)	19,628,202
4	Uncollectible Accounts Expense	112,839	-	112,839	20,504	-	133,343	(4,188)	129,155
5	Labor	3,011,076	(86,592)	2,924,484	-	-	2,924,484	-	2,924,484
6	Fuel & Power	1,169,806	(28,532)	1,141,274	-	-	1,141,274	-	1,141,274
7	Chemicals	711,266	6,245	717,511	-	-	717,511	-	717,511
8	Waste Disposal	112,754	(2,754)	110,000	-	-	110,000	-	110,000
9	Management Fees	1,057,270	(42,737)	1,014,533	-	-	1,014,533	-	1,014,533
10	Group Insurance	681,618	-	681,618	-	-	681,618	-	681,618
11	Pensions	389,501	-	389,501	-	-	389,501	-	389,501
12	Regulatory Expense	22,700	-	22,700	-	-	22,700	-	22,700
13	Insurance - other	473,716	-	473,716	-	-	473,716	-	473,716
14	Customer Accounting	231,817	-	231,817	-	-	231,817	-	231,817
15	Rents	255,622	(7,416)	248,206	-	-	248,206	-	248,206
16	General Office Expense	316,474	-	316,474	-	-	316,474	-	316,474
17	Maintenance - other	844,187	(432,882)	411,305		-	411,305	-	411,305
18	Miscellaneous	1,666,766	(34,491)	1,632,275	-	-	1,632,275	-	1,632,275
19	Depreciation & Amortization	2,906,801	450,941	3,357,742	-	-	3,357,742	-	3,357,742
20	Taxes other than Income	992,357	-	992,357	-	-	992,357	-	992,357
21	Total Operating Expense								
22	Before Income Taxes	14,956,570	(178,218)	14,778,352	20,504	-	14,798,856	(4,188)	14,794,668
23	State Income Tax	58,475	(25,443)	33,032	133,696	-	166,728	(27,306)	139,422
24	Federal Income Tax	192,909	86,829	279,738	1,132,186	-	1,411,924	(231,236)	1,180,688
25	Deferred Taxes and ITCs Net	(30,892)	-	(30,892)	-	-	(30,892)	-	(30,892)
26	Total Operating Expenses	15,177,062	(116,832)	15,060,230	1,286,386		16,346,616	(262,730)	16,083,886
27	NET OPERATING INCOME	\$ 1,754,289	\$ 116,832	\$ 1,871,121	\$ 2,102,631	\$ -	\$ 3,973,752	\$ (429,436)	\$ 3,544,316

Staff Rate Base (ICC Staff Exhibit 1.0, Schedule 1.3-C, Column (d)) Staff Overall Rate of Return (ICC Staff Exhibit 6.0, Schedule 6.01)

\$ 48,025,944 7.38%

> 2,696,851 <u>15.93%</u>

Revenue Change (Col. (i) Line 3 minus Col. (d), Line 3)

Percentage Revenue Change (Col. (i), Line 30 divided by Col. (d), Line 3)

Docket No. 02-0690 ICC Staff Exhibit 1.0 Schedule 1.2-C Page 1 of 4

Illinois-American Water Company Adjustments to Operating Income For the Test Year Ending December 31, 2003

Champaign

Line No.	Description	Interes Synchroniz (Staff Ex. 1 Sch. 1.5-	ation .0			Com (Staf	Incentive Compensation (Staff Ex. 2.0 Sch. 2.2-C)		(Staff Ex. 2.0		Cost of Capital Igs Sharing FEx. 2.0 n. 2.4-C)	E (Staf	obbying expense f Ex. 2.0 h. 2.5-C)	(Sta	Tax Expense ff Ex. 3.0 ch. 3.1-C)	S	Subtotal Operating tatement Ijustments
	(a)	(b)		(c))		(d)		(e)		(f)		(g)		(h)		(i)
1	Operating Revenue	\$	_	\$	_	\$	_	\$	_	\$	_	\$	_	\$	_	\$	_
2	operating Nevertae	Ψ	-	Ψ	_	Ψ	_	Ψ	_	Ψ	_	Ψ	_	Ψ	_	Ψ	-
3	Total Operating Revenue		-		-		-		-				-		-		
4	Uncollectible Accounts Expense		_		-		-		-		-		-		-		-
5	Labor		-		-		(86,592)		-		-		-		-		(86,592)
6	Fuel & Power		-		-		-		-		-		-		-		-
7	Chemicals		-		-		-		-		-		-		-		-
8	Waste Disposal		-		-		-		-		-		-		-		-
9	Management Fees		-		-		(35,040)		-		-		(7,697)		-		(42,737)
10	Group Insurance		-		-		-		-		-		-		-		-
11	Pensions		-		-		-		-		-		-		-		-
12	Regulatory Expense		-		-		-		-		-		-		-		-
13	Insurance - other		-		-		-		-		-		-		-		-
14	Customer Accounting		-		-		-		-		-		-		-		-
15	Rents		-		-		-		-		-		-		-		-
16	General Office Expense		-		-		-		-		-		-		-		-
17	Maintenance - other		-		-		-		-		-		-		-		-
18	Miscellaneous		-		-		(4,872)		(1,308)		21,484		(8,001)		-		7,303
19	Depreciation & Amortization		-		-		-		-		-		-		-		-
20	Taxes other than Income		_		-		_				_		_				<u>-</u>
21	Total Operating Expense																
22	Before Income Taxes		-		-		(126,504)		(1,308)		21,484		(15,698)		-		(122,026)
23	State Income Tax	5	,679		-		5,021		52		(853)		623		(38,194)		(27,672)
24	Federal Income Tax		,092		-		42,519		440		(7,221)		5,276		(21,164)		67,942
25	Deferred Taxes and ITCs Ne		_		-		· -		-		-		· -		-		· -
26	Total Operating Expenses	53	,771		-		(78,964)		(816)		13,410		(9,799)		(59,358)		(81,756)
27	NET OPERATING INCOME	\$ (53	<u>,771</u>)	\$	-	\$	78,964	\$	816	\$	(13,410)	\$	9,799	\$	59,358	\$	81,756

Docket No. 02-0690 ICC Staff Exhibit 1.0 Schedule 1.2-C Page 2 of 4

Line		(Subtotal Operating		Reallocate Power Expense	(Reallocate Chemical Expense	Power Expense (Staff Ex. 3.0	Chemical Expense (Staff Ex. 3.0	Security Costs (Staff Ex. 4.0	of Sec	allowance Deferred curity Costs ff Ex. 4.0		Subtotal Operating Statement
No.	Description	Ac	ljustments	(No	t Applicable	(No	t Applicable	Sch. 3.5-C)	Sch. 3.6-C)	Sch. 4.1-C)	Sc	ch. 4.2-C)	Ac	djustments
	(a)		(j)		(k)		(1)	(m)	(n)	(0)		(p)		(p)
1	Operating Revenue	\$	-	\$	-	\$	-				\$	-	\$	_
2			-		-		-	-	-	-		-		-
3	Total Operating Revenue		-		-		_		-			-		
4	Uncollectible Accounts Expense		_		_		_	-	-	-		_		_
5	Labor		(86,592))	-		-	-	_	_		_		(86,592)
6	Fuel & Power				-		-	(28,532)	-	-		-		(28,532)
7	Chemicals		-		-		-	` <u>-</u>	6,245	-		-		6,245
8	Waste Disposal		-		-		-	-	-	-		-		-
9	Management Fees		(42,737))	-		-	-	-	-		-		(42,737)
10	Group Insurance		-		-		-	-	-	-		-		-
11	Pensions		-		-		-	-	-	-		-		-
12	Regulatory Expense		-		-		-	-	-	-		-		-
13	Insurance - other		-		-		-	-	-	-		-		-
14	Customer Accounting		-		-		-	-	-	-		-		-
15	Rents		-		-		-	-	-	-		-		-
16	General Office Expense		-		-		-	-	-	-		-		-
17	Maintenance - other		-		-		-	-	-	(223,033)		-		(223,033)
12	Miscellaneous		7,303		-		-	-	-	-		-		7,303
13	Depreciation & Amortization		-		-		-	-	-	-		(301,141)		(301,141)
14	Taxes other than Income				<u> </u>							<u> </u>		<u> </u>
15	Total Operating Expense													
16	Before Income Taxes		(122,026))	-		-	(28,532)	6,245	(223,033)		(301,141)		(668,487)
17	State Income Tax		(27,672))	-		-	1,132	(248)	8,852		11,952		(5,984)
18	Federal Income Tax		67,942		-		-	9,590	(2,099)	74,963		101,216		251,612
19	Deferred Taxes and ITCs Ne		_				_			<u>-</u> _		<u> </u>		<u>-</u>
20	Total Operating Expenses		(81,756)					(17,810)	3,898	(139,218)		(187,973)		(422,859)
21	NET OPERATING INCOME	\$	81,756	\$	_	\$	_	\$ 17,810	\$ (3,898)	\$ 139,218	\$	187,973	\$	422,859

Docket No. 02-0690 ICC Staff Exhibit 1.0 Schedule 1.2-C Page 3 of 4

Line No.	Description	S	Subtotal Operating tatement Ijustments	(Sta	New epreciation Rates aff Ex. 4.0 ch. 4.3-C)	in S (Staff	ditions to Plant Service Ex. 4.0 n. 4.4-C)	Tar E (Sta	ormalize nk Painting Expense ff Ex. 4.0 ch. 4.5-C)	Tank (Staff	eferred Painting Ex. 4.0 . 4.6-C)	V	chased Vater (Not blicable)	D Su	Waste isposal ircharge (Not plicable)	;	Subtotal Operating Statement djustments
	(a)		(r)		(s)		(t)		(u)		(v)		(w)		(x)		(y)
1	Operating Revenue	\$	_	\$	-	\$	_	\$	_	\$	_	\$	-	\$	-	\$	_
2			_						_		<u>-</u>		_		-		<u>-</u>
3	Total Operating Revenue		-		-		-		-		-		-		-		-
4	Uncollectible Accounts Expense		-		-		-		-		-		-		-		-
5	Labor		(86,592)		-		-		-		-		-		-		(86,592)
6	Fuel & Power		(28,532)		-		-		-		-		-		-		(28,532)
7	Chemicals		6,245		-		-		-		-		-		-		6,245
8	Waste Disposal		-		-		-		-		-		-		-		-
9	Management Fees		(42,737)		-		-		-		-		-		-		(42,737)
10	Group Insurance		-		-		-		-		-		-		-		-
11	Pensions		-		-		-		-		-		-		-		-
12	Regulatory Expense		-		-		-		-		-		-		-		-
13	Insurance - other		-		-		-		-		-		-		-		-
14	Customer Accounting		-		-		-		-		-		-		-		-
15	Rents		-		-		-		-		-		-		-		-
16	General Office Expense		-		-		-		-		-		-		-		-
17	Maintenance - other		(223,033)				-		(209,849)				-		-		(432,882)
12	Miscellaneous		7,303		-		-		-		-		-		-		7,303
13	Depreciation & Amortization		(301,141)		715,051		35,724		-		1,307		-		-		450,941
14	Taxes other than Income				<u> </u>										-		
15	Total Operating Expense																
16	Before Income Taxes		(668,487)		715,051		35,724		(209,849)		1,307		-		-		(126,254)
17	State Income Tax		(5,984)		(28,380)		(1,418))	8,329		(52)		-		-		(27,505)
18	Federal Income Tax		251,612		(240,335)		(12,007))	70,532		(439)		-		-		69,363
19	Deferred Taxes and ITCs Ne												-		-		
20	Total Operating Expenses		(422,859)		446,336		22,299		(130,988)		816				-		(84,396)
21	NET OPERATING INCOME	\$	422,859	\$	(446,336)	\$	(22,299)	\$	130,988	\$	(816)	\$	_	\$	-	\$	84,396

Docket No. 02-0690 ICC Staff Exhibit 1.0 Schedule 1.2-C Page 4 of 4

Line No.	Description	Subtotal Operating Statement Adjustments	Waste Disposal Contract (Staff Ex. 5.0 Sch. 5.5-0			Community Relations (Staff Ex. 5.0 Sch. 5.8-C)	Advertising (Not Applicable)	Industry Association Dues (Staff Ex. 5.0 Sch. 5.10-C)	Total Operating Statement Adjustments
	(a)	(z)	(aa)	(ab)	(ac)	(ad)	(ae)	(af)	(ag)
1 2	Operating Revenue	\$ -	\$ -	- \$	\$ - -	\$ - -	\$ -	\$	\$ -
3	Total Operating Revenue		-	-		-	-	-	-
4	Uncollectible Accounts Expense		-	-			-	-	-
5	Labor	(86,592	2)	-		-	-	-	(86,592)
6	Fuel & Power	(28,532	2) 2)	-			-	-	(28,532)
7	Chemicals	6,245	5	-			-	-	6,245
8	Waste Disposal		- (2,7	754)		-	-	-	(2,754)
9	Management Fees	(42,737	7)	-			-	-	(42,737)
10	Group Insurance	•	-	-		-	-	-	· -
11	Pensions		-	-		-	-	-	-
12	Regulatory Expense		-	-			-	-	-
13	Insurance - other		-	-			-	-	-
14	Customer Accounting		-	-			-	-	-
15	Rents		-	- (7,4	-16) -		-	-	(7,416)
16	General Office Expense		-	-			-	-	-
17	Maintenance - other	(432,882	2)	-			-	-	(432,882)
12	Miscellaneous	7,303	3	-	- (1,584	(21,065)	-	(19,145)	(34,491)
13	Depreciation & Amortization	450,941	1	-		-	-	-	450,941
14	Taxes other than Income		<u> </u>	<u>-</u>	<u> </u>	<u> </u>			
15	Total Operating Expense								
16	Before Income Taxes	(126,254	4) (2,7	754) (7,4	16) (1,584	(21,065)	-	(19,145)	(178,218)
17	State Income Tax	(27,505	5) ·	109 2	94 63	836	-	760	(25,443)
18	Federal Income Tax	69,363		926 2,4	93 532	7,080	-	6,435	86,829
19	Deferred Taxes and ITCs Ne		-	-			-	-	· -
20	Total Operating Expenses	(84,396	6) (1,7	719) (4,6	29) (989	(13,149)		(11,950)	(116,832)
21	NET OPERATING INCOME	\$ 84,396	6 \$ 1,7	719 \$ 4,6	<u>29</u> \$ 989	\$ 13,149	\$ -	<u>\$ 11,950</u>	\$ 116,832

Docket No. 02-0690 ICC Staff Exhibit 1.0 Schedule 1.3-C Page 1 of 1

Illinois-American Water Company Champaign Rate Base

For the Test Year Ending December 31, 2003

			Company	<u>.</u>		
			Pro Forma	Staff	-	Staff
Line			Present	Adjustments (Staff Ex. 1.0		Pro Forma Rate Base
No.	Description		(Company Schedule B-2)	Sch 1.4-C)		Col. b+c)
110.	· · · · · · · · · · · · · · · · · · ·					
	(a)		(b)	(c)		(d)
1	Utility Plant in Service	\$	89,355,354	\$ 947,239	\$	90,302,593
2	FAS 109 Reg. Asset-Net of Liability		246,357	-		246,357
3	Less: Accumulated Depreciation	_	(27,685,349)	(378,879)		(28,064,228)
4	Net Plant		61,916,362	568,360		62,484,722
5	Additions to Rate Base					
6	Cash Working Capital		2,017,270	(116,206)		1,901,064
7	Materials & Supplies		651,727	(40,358)		611,369
8	Deferred Charges		1,863,856	(1,185,057)		678,799
9	Savings/Sharing		-	-		-
10		-	-	-		-
11		-	-	-		-
12		-	-	-		-
13		-	-	-		-
14		-	-	-		-
15	Ded die Fee Dete Dee	-	-	-		-
16	Deductions From Rate Base		(44 546 256)			(44 E46 2E6)
17 18	Contributions in Aid of Construction Accum. Depr. On CIAC		(11,516,356) 2,855,869	3.492		(11,516,356) 2,859,361
19	Customer Advances		(5,476,609)	3,492		(5,476,609)
20	Deferred Federal Income Taxe		(3,335,700)	561,308		(2,774,392)
21	Seferred State Income Taxes		(805,477)	83,125		(722,352)
22	Investment Tax Credit - pre 197		(19,662)	03,123		(19,662)
22	investment rax credit - pre 197	_	(19,002)			(19,002)
23	Rate Base	\$	48,151,280	\$ (125,336)	\$	48,025,944

Illinois-American Water Company

Adjustments to Rate Base For the Test Year Ending December 31, 2003 Champaign

Line No.	Description	Reverse Osmosis (Not Applicable)	Deferre (Staff E: Sch.	3.2-C)	Disallowance of Deferred Security Costs (Staff Ex. 4.0 Sch. 4.2-C)	New Depreciation Rates (Staff Ex. 4.0 Sch. 4.3-C)	Additions to Plant in Service (Staff Ex. 4.0 Sch. 4.4-C)	Deferred Tank Painting (Staff Ex. 4.0 Sch. 4.6-C)	Working Capital (Staff Ex. 5.0 Sch. 5.1-C)	Subtotal Rate Base Adjustments
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Utility Plant in Service	\$ -	\$	-	\$ -	\$ -	\$ 947,239	\$ -	\$ -	\$ 947,239
2	FAS 109 Reg. Asset-Net of Liability		-	-	-	-	-	-	-	-
3	Less: Accumulated Depreciation		<u>-</u>			(361,017)				(378,879)
4	Net Plant		-	-	-	(361,017)	929,377	-	-	568,360
5	Additions to Rate Base	-								
6	Cash Working Capital		_	_	_	_	_	_	(116,206)	(116,206)
7	Materials & Supplies		_	_	_	_	_	_	(110,200)	(110,200)
8	Deferred Charges		_	_	(1,194,531)	-	_	9,474	_	(1,185,057)
9	Savings/Sharing		-	_	-	-	_	-	_	-
10	3 3	-	_	-	-	-	-	-	-	-
11		-	-	-	-	-	-	-	-	-
12		-	-	-	-	-	-	-	-	-
13		-	-	-	-	-	-	-	-	-
14		-	-	-	-	-	-	-	-	-
15		-	-	-	-	-	-	-	-	-
16	Deductions From Rate Base		-	-	-	-	-	-	-	-
17	Contributions in Aid of Construction		-	-	-	-	-	-	-	
18	Accum. Depr. On CIAC		-	-	-	3,492	-	-	-	3,492
19	Customer Advances		-	-	-	-	(0.004)	- (0.404)	-	-
20	Deferred Federal Income Taxes		-	169,003	401,493	-	(6,004)	(3,184)	-	561,308
21	Seferred State Income Taxes		-	36,904	47,303	-	(707)	(375)	-	83,125
22	Investment Tax Credit - pre 1971	-	- ——							
23	Rate Base	\$ -	\$	205,907	\$ (745,735)	\$ (357,525)	\$ 922,666	\$ 5,915	\$ (116,206)	\$ (84,978)

Illinois-American Water Company

Adjustments to Rate Base
For the Test Year Ending December 31, 2003
Champaign

Materials
& Supplies

Line No.	Description	R	Subtotal ate Base ljustments	& (Staf	Supplies ff Ex. 5.0 ch. 5.2-C)	 (Source)	_	(Source)	_	(Source)	 (Source)		(Source)	Total Rate Base Ijustments
	(a)		(j)		(k)	(I)		(m)		(n)	(0)		(p)	(q)
1	Utility Plant in Service	\$	947,239	\$	-	\$ -	\$	-	\$	-	\$ -	\$	-	\$ 947,239
2	FAS 109 Reg. Asset-Net of Liability		-		-	-			-	-	-		-	-
3	Less: Accumulated Depreciation		(378,879)		-	 -			_	-	-		=	 (378,879)
4	Net Plant		568,360		-	-			-	-	-		-	568,360
5	Additions to Rate Base	-												-
6	Cash Working Capital		(116,206)		-	-			-	-	-		-	(116,206)
7	Materials & Supplies		-		(40,358)	-			-	-	-		-	(40,358)
8	Deferred Charges		(1,185,057)		-	-			-	-	-		-	(1,185,057)
9	Savings/Sharing		-		-	-			-	-	-		-	-
10		-	-		-	-			-	-	-		-	-
11		-	-		-	-			-	-	-		-	-
12		-	-		-	-			-	-	-		-	-
13		-	-		-	-			-	-	-		-	-
14		-	-		-	-			-	-	-		-	-
15		-	-		-	-			-	-	-		-	-
16	Deductions From Rate Base													
17	Contributions in Aid of Construction		-		-	-			-	-	-		-	-
18	Accum. Depr. On CIAC		3,492		-	-			-	-	-		-	3,492
19	Customer Advances				-	-			-	-	-		-	
20	Deferred Federal Income Taxes		561,308		-	-			-	-	-		-	561,308
21	Seferred State Income Taxes		83,125		-	-			-	-	-		-	83,125
22	Investment Tax Credit - pre 1971					 -	_	•		-	 	_	-	 -
23	Rate Base	\$	(84,978)	\$	(40,358)	\$ 	\$	-	\$		\$ 	\$		\$ (125,336)

Docket No. 02-0690 ICC Staff Exhibit 1.0 Schedule 1.5-C Page 1 of 1

Illinois-American Water Company Interest Synchronization Adjustment For the Test Year Ending December 31, 2003 Champaign

Line No.	Description		Amount	
	(a)		(b)	
1	Utility Plant in Service	\$	48,025,944	(1)
2	Weighted Cost of Debt		2.75%	(2)
3	Synchronized Interest Per Staff		1,320,713	
4	Company Interest Expense	_	1,463,799	(3)
5	Increase (Decrease) in Interest Expense	_	(143,086)	
6 7	Increase (Decrease) in State Income Tax Expense at 3.969%	\$	5,679	
8 9	Increase (Decrease) in Federal Income Tax Expensi at 35.000%	\$	48,092	

(1) Source: ICC Staff Ex. 1.0, Schedule 1.3-C, Column (d).(2) Source: ICC Staff Exhibit 6.0, Schedule 6.01.

(3) Source: Company Exhibit C-12, Schedule C-5, page 4 of 9.

Docket No. 02-0690 ICC Staff Exhibit 1.0 Schedule 1.6-C Page 1 of 1

Illinois-American Water Company Gross Revenue Conversion Factor For the Test Year Ending December 31, 2003 Champaign

Line No.	Description	Rate	Per Staff With Bad Debts	Per Staff Without Bad Debts
	(a)	(b)	(c)	(d)
1	Revenues		1.000000	
2	Uncollectibles	0.6050%	0.006050	
3	State Taxable Income		0.993950	1.000000
4 5	State Income Tax Federal Taxable Income	3.9690%	0.039450 0.954500	<u>0.039690</u> 0.960310
6	Federal Income Tax	35.0000%	0.334075	0.336109
7	Operating Income		0.620425	0.624201
8	Gross Revenue Conversion Factor Per Staf		<u>1.611798</u>	<u>1.602048</u>

Docket No. 02-0690 ICC Staff Exhibit 1.0 Schedule 1.1-S Page 1 of 1

1,232,885

51.15%

Illinois-American Water Company Sterling

Statement of Operating Income with Adjustments For the Test Year Ending December 31, 2003

		Cc	mpany						Company		Staff		Proposed		See N	lote	. 1
Line No.	Description	Pro P (Co	Forma resent ompany dule C-2)	Adjı (Staff	Staff ustments Ex. 1.0 n. 1.2-S)		Staff Pro Forma Present (Cols. b+c)	(Proposed Increase (Company hedule C-1)		Gross Revenue conversion Factor	I A	Rates With Staff djustments Cols. d+e+f)	F	djustment To Proposed Increase	F	Staff Pro Forma Proposed Cols. g+h)
	(a)		(b)		(c)		(d)		(e)		(f)		(g)		(h)		(i)
1 2	Operating Revenue	\$	2,410,454	\$		\$	2,410,454	\$	1,232,885	\$		\$	3,643,339	\$	337,060	\$	3,980,399
3	Total Operating Revenue	-	2,410,454		-		2,410,454		1,232,885		-		3,643,339		337,060		3,980,399
4	Uncollectible Accounts Expense		25,656		-		25,656		7,459		-		33,115		2,039		35,154
5	Labor		464,401		(11,882)		452,519		-		-		452,519		-		452,519
6	Fuel & Power		187,962		(3,660)		184,302		-		-		184,302		-		184,302
7	Chemicals		42,899		-		42,899		-		-		42,899		-		42,899
8	Waste Disposal		-		-		-		-		-		-		-		-
9	Management Fees		145,075		(5,147)		139,928		-		-		139,928		-		139,928
10	Group Insurance		119,582		-		119,582		-		-		119,582		-		119,582
11	Pensions		60,073		-		60,073		-		-		60,073		-		60,073
12	Regulatory Expense		3,115		-		3,115		-		-		3,115		-		3,115
13	Insurance - other		65,002		-		65,002		-		-		65,002		-		65,002
14	Customer Accounting		45,024		-		45,024		-		-		45,024		-		45,024
15	Rents		37,590		(1,018)		36,572		-		-		36,572		-		36,572
16	General Office Expense		69,892		-		69,892		-		-		69,892		-		69,892
17	Maintenance - other		203,928		309,707		513,635				-		513,635		-		513,635
18	Miscellaneous		328,132		(959)		327,173		-		-		327,173		-		327,173
19	Depreciation & Amortization		504,830		124,205		629,035		-		-		629,035		-		629,035
20	Taxes other than Income		200,643			_	200,643						200,643				200,643
21 22	Total Operating Expense Before Income Taxes	;	2,503,804		411,246		2,915,050		7,459		-		2,922,509		2,039		2,924,548
23	State Income Tax		(6,360)		(25,119)		(31,479)		48,637		_		17,158		13,297		30,455
24	Federal Income Tax		(120,367)		(146,203)		(266,570)		411,876		-		145,306		112,604		257,910
25	Deferred Taxes and ITCs Net		(6,797)				(6,797)				-		(6,797)				(6,797)
26	Total Operating Expenses	:	2,370,280		239,924	_	2,610,204	_	467,972	_	-	_	3,078,176		127,940		3,206,116
27	NET OPERATING INCOME	\$	40,174	\$	(239,924)	\$	(199,750)	\$	764,913	\$	-	\$	565,163	\$	209,120	\$	774,283
28	Staff Rate Base (ICC Staff Exhibit 1	,	,		· //											\$	10,491,646
29	Staff Overall Rate of Return (ICC St																7.38%
30	Resulting Return on Rate Base (Col	. (g) Line	27 divided I	oy Col	(i) Line 28)								5.39%	_			
														1			

Revenue Change (Col. (g) Line 3 minus Col. (d), Line 3)

Percentage Revenue Change (Col. (g), Line 31 divided by Col. (d), Line 3)

Note 1: The Company should be granted the \$1,232,885 increase requested as explained in ICC Exhibit 1.0, page 4, lines 54-60.

Docket No. 02-0690 ICC Staff Exhibit 1.0 Schedule 1.2-S Page 1 of 4

Line No.	Description	Syno (Stat	Interest chronization ff Ex. 1.0 ch. 1.5-S)	(Reverse Osmosis (Not pplicable)	Com (Staff	centive pensation Ex. 2.0 n. 2.2-S)	Savi	on-Cost of Capital ngs Sharing (Not oplicable)	Savir (Staf	Cost of Capital ngs Sharin f Ex. 2.0 h. 2.4-S)	_	Lobbying Expense Staff Ex. 2.0 Sch. 2.5-S)		Tax Expense (Staff Ex. 3. Sch. 3.1-	0	O _l St	Subtotal perating atement ustments
	(a)		(b)		(c)		(d)		(e)		(f)		(g)		(h)			(i)
1 2	Operating Revenue	\$		\$		\$		\$		\$	-	- \$	-	_	\$		\$	
3	Total Operating Revenue		-		-		-		-			-		-		-		-
4	Uncollectible Accounts Expense		-		-		-		-			-		-		-		-
5	Labor		-		-		(11,882)		-			-		-		-		(11,882)
6	Fuel & Power		-		-		-		-			-		-		-		-
7	Chemicals		-		-		-		-			-		-		-		-
8	Waste Disposal		-		-		-		-			-		-		-		-
9	Management Fees		-		-		(4,809)		-			-	(33	38)		-		(5,147)
10	Group Insurance		-		-		-		-			-		-		-		-
11	Pensions		-		-		-		-			-		-		-		-
12	Regulatory Expense		-		-		-		-			-		-		-		-
13	Insurance - other		-		-		-		-			-		-		-		-
14	Customer Accounting		-		-		-		-			-		-		-		-
15	Rents		-		-		-		-			-		-		-		-
16	General Office Expense		-		-		-		-			-		-		-		-
17	Maintenance - other		-		-		-		-			-		-		-		-
18	Miscellaneous		-		-		(668)		-		4,48	5	(1,09	98)		-		2,719
19	Depreciation & Amortization		-		-		-		-			-		-		-		-
20	Taxes other than Income		_		_									_				
21	Total Operating Expense																	
22	Before Income Taxes		-		-		(17,359)		-		4,48	5	(1,43	36)		-		(14,310)
23	State Income Tax		676		-		689		-		(178	8)	į	57	(9,	472)		(8,228)
24	Federal Income Tax		5,725		-		5,835		-		(1,50	7)	48	83	(13,	707)		(3,171)
25	Deferred Taxes and ITCs Ne		-		-		-		-			-		-		-		-
26	Total Operating Expenses		6,401		-		(10,835)		-		2,800	0	(89	96)	(23,	179)		(25,709)
27	NET OPERATING INCOME	\$	(6,401)	\$		\$	10,835	\$		\$	(2,800	0) §	89	<u>96</u>	<u>\$ 23,</u>	179	\$	25,709

Docket No. 02-0690 ICC Staff Exhibit 1.0 Schedule 1.2-S Page 2 of 4

Line No.	Description	Subtotal Operating Statement Adjustments		Reallocate Power Expense (Not Applicable)	(Reallocate Chemical Expense (Not spplicable)	Power Expense (Staff Ex. 3.0 Sch. 3.5-S)	Chemical Expense (Staff Ex. 3.0 Sch. 3.6-S)	Security Costs (Staff Ex. 4.0 Sch. 4.1-S)	Disallowance of Deferred Security Costs (Staff Ex. 4.0 Sch. 4.2-S)	Subtotal Operating Statement Adjustments
	(a)	(j)		(k)		(I)	(m)	(n)	(0)	(p)	(q)
1 2	Operating Revenue	\$ -	\$ <u>-</u>	; - -	\$					\$ -	\$ -
3	Total Operating Revenue		-	-		-	-	-	-	-	-
4	Uncollectible Accounts Expense		-	-		-	-	-	-	-	-
5	Labor	(11,88	2)	-		-	-	-	-	-	(11,882)
6	Fuel & Power		_	-		-	(3,450)	(210)	-	-	(3,660)
7	Chemicals		-	-		-	-	-	-	-	-
8	Waste Disposal		-	-		-	-	-	-	-	-
9	Management Fees	(5,14	7)	-		-	-	-	-	-	(5,147)
10	Group Insurance		-	-		-	-	-	-	-	-
11	Pensions		-	-		-	-	-	-	-	-
12	Regulatory Expense		-	-		-	-	-	-	-	-
13	Insurance - other		-	-		-	-	-	-	-	-
14	Customer Accounting		-	-		-	-	-	-	-	-
15	Rents		-	-		-	-	-	-	-	-
16	General Office Expense		-	-		-	-	-	-	-	-
17	Maintenance - other		-	-		-	-	-	391,839	(62,860)	
12	Miscellaneous	2,71	9	-		-	-	-	-	-	2,719
13	Depreciation & Amortization		-	-		-	-	-	-	-	-
14	Taxes other than Income		<u>-</u> _			-					
15	Total Operating Expense										
16	Before Income Taxes	(14,31	0)	-		-	(3,450)	(210)	391,839	(62,860)	311,009
17	State Income Tax	(8,22	8)	-		-	137	8	(15,552)	2,495	(21,140)
18	Federal Income Tax	(3,17	1)	-		-	1,160	71	(131,701)	21,128	(112,513)
19	Deferred Taxes and ITCs Ne			_		-		<u>-</u>		<u> </u>	<u>-</u> _
20	Total Operating Expenses	(25,70	9)	-		-	(2,153)	(131)	244,586	(39,237)	177,356
21	NET OPERATING INCOME	\$ 25,70	9 \$	<u> </u>	\$	-	\$ 2,153	\$ 131	\$ (244,586)	\$ 39,237	\$ (177,356)

Docket No. 02-0690 ICC Staff Exhibit 1.0 Schedule 1.2-S Page 3 of 4

Line No.	Description	Subtotal Operating Statement Adjustments		(Sta	New epreciation Rates of Ex. 4.0 ch. 4.3-S)	Additions to Plant in Service (Staff Ex. 4.0 Sch. 4.4-S)		Normalize Tank Painting Expense (Staff Ex. 4.0 Sch. 4.5-S) (u)		Tank (Staff E	ferred Painting Ex. 4.0 4.6-S)	Purchased Water (Not Applicable)		Waste Disposal Surcharge (Not Applicable)		S	Subtotal Operating tatement Ijustments
	(a)		(r)	(s)						(v)		(w)		(x)		(y)	
1	Operating Revenue	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
2									<u>-</u>		<u>-</u>				-		<u> </u>
3	Total Operating Revenue		-		-		-		-		-		-		-		-
4	Uncollectible Accounts Expense		-		-		-		-		-		-		-		-
5	Labor		(11,882)		-		-		-		-		-		-		(11,882)
6	Fuel & Power		(3,660)		-		-		-		-		-		-		(3,660)
7	Chemicals		-		-		-		-		-		-		-		-
8	Waste Disposal		-		-		-		-		-		-		-		-
9	Management Fees		(5,147)		-		-		-		-		-		-		(5,147)
10	Group Insurance		-		-		-		-		-		-		-		-
11	Pensions		-		-		-		-		-		-		-		-
12	Regulatory Expense		-		-		-		-		-		-		-		-
13	Insurance - other		-		-		-		-		-		-		-		-
14	Customer Accounting		-		-		-		-		-		-		-		-
15	Rents		-		-		-		-		-		-		-		-
16	General Office Expense		-		-		-		-		-		-		-		-
17	Maintenance - other		328,979		-		-		(19,272)		-		-		-		309,707
12	Miscellaneous		2,719		-		-		-		-		-		-		2,719
13	Depreciation & Amortization		-		101,254		22,831		-		120		-		-		124,205
14	Taxes other than Income																
15	Total Operating Expense																
16	Before Income Taxes		311,009		101,254		22,831		(19,272)		120		-		-		415,942
17	State Income Tax		(21,140)	1	(4,019)		(906)		765		(5)		-		-		(25,305)
18	Federal Income Tax		(112,513)		(34,032)		(7,674)		6,477		(40)		-		-		(147,782)
19	Deferred Taxes and ITCs Ne														_		
20	Total Operating Expenses		177,356		63,203		14,251		(12,030)		75		_				242,855
21	NET OPERATING INCOME	\$	(177,356)	\$	(63,203)	\$	(14,251)	\$	12,030	\$	(75)	\$		\$		\$	(242,855)

Docket No. 02-0690 ICC Staff Exhibit 1.0 Schedule 1.2-S Page 4 of 4

Line No.	Description	Subtotal Operating Statement Adjustments			Waste Disposal Contract (Not Applicable)	Rents (Staff Ex. 5.0 Sch. 5.6-S)		Charitable Contributions (Staff Ex. 5.0 Sch. 5.7-S)		Community Relations (Staff Ex. 5.0 Sch. 5.8-S)		Advertising (Not Applicable)		A (Sta	Industry association Dues aff Ex. 5.0 ch. 5.10-S)	Total Operating Statement Adjustments	
	(a)		(z)	(aa)		(ab)		(ac)		(ad)		(ae)		(af)		(ag)	
1 2	Operating Revenue	\$		\$		\$		\$		\$	-	\$		\$		\$	
3	Total Operating Revenue		_		-		-		-		-		-		-		-
4	Uncollectible Accounts Expense		_		-		-		-			-	-		-		_
5	Labor		(11,882	2)	-		-		-		-		-		-		(11,882)
6	Fuel & Power		(3,660))	-		-		-		-	•	-		-		(3,660)
7	Chemicals		-		-		-		-		-	•	-		-		-
8	Waste Disposal		-		-		-		-		-	•	-		-		-
9	Management Fees		(5,147	')	-		-		-		-	•	-		-		(5,147)
10	Group Insurance		-		-		-		-		-	•	-		-		-
11	Pensions		-		-		-		-		-		-		-		-
12	Regulatory Expense		-		-		-		-		-	•	-		-		-
13	Insurance - other		-		-		-		-		-		-		-		-
14	Customer Accounting		-		-		-		-		-		-		-		-
15	Rents		-		-		(1,018)	-		-		-		-		(1,018)
16	General Office Expense		-		-		-		-		-		-		-		-
17	Maintenance - other		309,707	•	-		-		-		-		-		-		309,707
12	Miscellaneous		2,719)	-		-		(217))	(2,733	3)	-		(728)		(959)
13	Depreciation & Amortization		124,205	i	-		-		-		-		-		-		124,205
14	Taxes other than Income		-		_		-		_		-				<u>-</u>		<u> </u>
15	Total Operating Expense																
16	Before Income Taxes		415,942	!	-		(1,018)	(217))	(2,733	3)	-		(728)		411,246
17	State Income Tax		(25,305	5)	-		40		9		108	}	-		29		(25,119)
18	Federal Income Tax		(147,782		-		342		73		919)	-		245		(146,203)
19	Deferred Taxes and ITCs Ne		-		-		-		-				-		-		-
20	Total Operating Expenses		242,855	_	_		(636)	(135)		(1,706	5)			(454)		239,924
21	NET OPERATING INCOME	\$	(242,855	i) <u>\$</u>	_	\$	636	\$	135	\$	1,706	\$		\$	454	\$	(239,924)

Docket No. 02-0690 ICC Staff Exhibit 1.0 Schedule 1.3-S Page 1 of 1

Illinois-American Water Company Sterling

Rate Base

For the Test Year Ending December 31, 2003

Line No.	Description		Company Pro Forma Present (Company Schedule B-2)	Staff Adjustments (Staff Ex. 1.0 Sch 1.4-S)	_	Staff Pro Forma Rate Base (Col. b+c)
	(a)		(b)	(c)		(d)
1	Utility Plant in Service	Ş	\$ 14,528,852	2 \$ 603,405	\$	15,132,257
2	FAS 109 Reg. Asset-Net of Liability		33,80	5 -		33,805
3	Less: Accumulated Depreciation	_	(3,122,804	<u>4</u>) <u>(61,674</u>)	_	(3,184,478)
4	Net Plant		11,439,853	3 541,731		11,981,584
5	Additions to Rate Base					
6	Cash Working Capital		221,19	5 35,880		257,075
7	Materials & Supplies		89,283	, , ,		83,755
8	Deferred Charges		368,742	2 (248,476)	1	120,266
9	Savings/Sharing			-		-
10		-				-
11		-		-		-
12		-		-		-
13 14		-				-
		-		-		-
15 16	Deductions From Rate Base	-		-		-
17	Contributions in Aid of Construction		(1,050,559	ے ۔		(1,050,559)
18	Accum. Depr. On CIAC		250,10	,		249,733
19	Customer Advances		(696,59	` ,		(696,591)
20	Deferred Federal Income Taxe		(457,71	,		(354,847)
21	Seferred State Income Taxes		(110,52	,		(96,073)
22	Investment Tax Credit - pre 197	-	(2,697	,	_	(2,697)
23	Rate Base	ç	\$ 10,051,08	7 \$ 440,559	\$	10,491,646

Illinois-American Water Company

Adjustments to Rate Base For the Test Year Ending December 31, 2003 Sterling

Line No.	Description	Reverse Osmosis (Not Applicable] })	Accumulated Deferred Taxes Staff Ex. 3.0 Sch. 3.2-S)	Disallowance of Deferred Security Costs (Staff Ex. 4.0 Sch. 4.2-S)	New Depreciation Rates (Staff Ex. 4.0 Sch. 4.3-S)	Additions to Plant in Service (Staff Ex. 4.0 Sch. 4.4-S)	Deferred Tank Painting (Staff Ex. 4.0 Sch. 4.6-S)	Working Capital (Staff Ex. 5.0 Sch. 5.1-S)	Subtotal Rate Base Adjustments
	(a)	(b)		(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Utility Plant in Service	\$ -	\$	-	\$ -	\$ -	\$ 603,405	\$ -	\$ -	\$ 603,405
2	FAS 109 Reg. Asset-Net of Liability		-	-	-	-	-	-	-	-
3	Less: Accumulated Depreciation					(50,259)	(11,415)			(61,674)
4	Net Plant		-	-	-	(50,259)	591,990	-	-	541,731
5	Additions to Rate Base	-								
6	Cash Working Capital		_	_	-	_	-	_	35,880	35,880
7	Materials & Supplies		-	-	-	-	-	-	-	-
8	Deferred Charges		-	-	(249,346)	-	-	870	-	(248,476)
9	Savings/Sharing		-	-	-	-	-	-	-	-
10		-	-	-	-	-	-	-	-	-
11		-	-	-	-	-	-	-	-	-
12		-	-	-	-	-	-	-	-	-
13		-	-	-	-	-	-	-	-	-
14		-	-	-	-	-	-	-	-	-
15	Deductions Form Deta Deca	-	-	-	-	-	-	-	-	-
16	Deductions From Rate Base Contributions in Aid of Construction		-	-	-	-	-	-	-	-
17 18	Accum. Depr. On CIAC		-	-	-	(368)	- \	-	-	(368)
19	Customer Advances		-	_		(300)	, - -	_	_	(300)
20	Deferred Federal Income Taxes		_	23,190	83.807	_	(3,837)) (292)		102,868
21	Seferred State Income Taxes		_	5,064	9,874	_	(452)	, ,		14,452
22	Investment Tax Credit - pre 1971			-					<u> </u>	
23	Rate Base	\$ -	<u> </u>	28,254	\$ (155,665)	\$ (50,627)) \$ 587,701	\$ 544	\$ 35,880	\$ 446,087

Illinois-American Water Company

Adjustments to Rate Base
For the Test Year Ending December 31, 2003
Sterling

Line No.			Subtotal Rate Base Adjustments		als ies 5.0 -S)	(Source)		(Source)		(Source)		(Source)		(Source)		Total Rate Base djustments
	(a)		(j)	(k)		(1)		(m)		(n)		(0)		(p)		(q)
1	Utility Plant in Service	\$	603,405	\$	-	\$	- \$	-	\$	-	\$	-	\$	-	\$	603,405
2	FAS 109 Reg. Asset-Net of Liability Less: Accumulated Depreciation		(61,674)		-		-		-	_		-			-	(61,674)
				-	<u> </u>		<u> </u>				-					
4	Net Plant		541,731		-		-		-	-		-			-	541,731
5	Additions to Rate Base	-														_
6	Cash Working Capital		35,880		_		_		_	_		_			_	35,880
7	Materials & Supplies		· -	(5,528)		-		-	-		-			-	(5,528)
8	Deferred Charges		(248,476)	,	· -		-		-	-		-			-	(248,476)
9	Savings/Sharing		-		-		-		-	-		-			-	-
10		-	-		-		-		-	-		-			-	-
11		-	-		-		-		-	-		-			-	-
12		-	-		-		-		-	-		-			-	-
13		-	-		-		-		-	-		-			-	-
14		-	-		-		-		-	-		-			-	-
15		-	-		-		-		-	-		-			-	-
16	Deductions From Rate Base															
17	Contributions in Aid of Construction		-		-		-		-	-		-			-	-
18	Accum. Depr. On CIAC		(368)		-		-		-	-		-			-	(368)
19	Customer Advances		-		-		-		-	-		-			-	-
20	Deferred Federal Income Taxes		102,868		-		-		-	-		-			-	102,868
21	Seferred State Income Taxes		14,452		-		-		-	-		-			-	14,452
22	Investment Tax Credit - pre 1971								- —							
23	Rate Base	\$	446,087	\$ (5,528)	\$	- \$		\$	-	\$	-	\$	-	\$	440,559

Docket No. 02-0690 ICC Staff Exhibit 1.0 Schedule 1.5-S Page 1 of 1

Illinois-American Water Company Interest Synchronization Adjustment For the Test Year Ending December 31, 2003 Sterling

Line		
No.	Description	Amount
	(a)	(b)
1	Utility Plant in Service	\$ 10,491,646 (1)
2	Weighted Cost of Debt	2.75% (2)
3	Synchronized Interest Per Staff	288,520
4	Company Interest Expense	305,553 (3)
5	Increase (Decrease) in Interest Expensε	(17,033)
6	Increase (Decrease) in State Income Tax Expense	
7	at 3.969%	<u>\$ 676</u>
8	Increase (Decrease) in Federal Income Tax Expense	
9	at 35.000%	\$ 5,725

⁽¹⁾ Source: ICC Staff Ex. 1.0, Schedule 1.3-S, Column (d).(2) Source: ICC Staff Exhibit 6.0, Schedule 6.01.

⁽³⁾ Source: Company Exhibit 12, Schedule C-5, page 5 of 9.

Docket No. 02-0690 ICC Staff Exhibit 1.0 Schedule 1.6-S Page 1 of 1

Illinois-American Water Company Gross Revenue Conversion Factor For the Test Year Ending December 31, 2003 Sterling

Line No.	Description	Rate	Per Staff With Bad Debts	Per Staff Without Bad Debts
	(a)	(b)	(c)	(d)
1	Revenues		1.000000	
2	Uncollectibles	0.6050%	0.006050	
3	State Taxable Income		0.993950	1.000000
4 5	State Income Tax Federal Taxable Income	3.9690%	0.039450 0.954500	0.039690 0.960310
6	Federal Income Tax	35.0000%	0.334075	0.336109
7	Operating Income		0.620425	0.624201
8	Gross Revenue Conversion Factor Per Staf		<u>1.611798</u>	1.602048

Docket No. 02-0690 ICC Staff Exhibit 1.0 Schedule 1.1-P Page 1 of 1

Illinois-American Water Company Pekin

Statement of Operating Income with Adjustments For the Test Year Ending December 31, 2003

Line No.	Description	F (Company Pro Forma Present (Company chedule C-2)	(Sta	Staff justments ff Ex. 1.0 ch. 1.2-P)	Staff Pro Forma Present (Cols. b+c)	P Ir (C	ompany roposed ncrease company edule C-1)	Staff Gross Revenue Conversion Factor	F A	Proposed Rates With Staff djustments Cols. d+e+f)	F	djustment To Proposed Increase	F	Staff Pro Forma Proposed Cols. g+h)
	(a)		(b)		(c)	(d)		(e)	(f)		(g)		(h)		(i)
1 2	Operating Revenue	\$	4,937,538	\$		\$ 4,937,538	\$	406,520	\$ 1 -	\$	5,344,059	\$	(558,612)	\$	4,785,447
3	Total Operating Revenue		4,937,538			 4,937,538		406,520	1		5,344,059		(558,612)		4,785,447
4	Uncollectible Accounts Expense		19,634		_	19,634		2,459	_		22,093		(3,380)		18,713
5	Labor		733,884		(24,997)	708,887		-	-		708,887		-		708,887
6	Fuel & Power		276,790		(6,751)	270,039		-	-		270,039		-		270,039
7	Chemicals		58,006		(225)	57,781		-	-		57,781		-		57,781
8	Waste Disposal		-		-	-		-	-		-		-		-
9	Management Fees		305,205		(10,827)	294,378		-	-		294,378		-		294,378
10	Group Insurance		291,043		-	291,043		-	-		291,043		-		291,043
11	Pensions		94,932		-	94,932		-	-		94,932		-		94,932
12	Regulatory Expense		6,553		-	6,553		-	-		6,553		-		6,553
13	Insurance - other		136,749		-	136,749		-	-		136,749		-		136,749
14	Customer Accounting		89,440		-	89,440		-	-		89,440		-		89,440
15	Rents		14,359		(5,182)	9,177		-	-		9,177		-		9,177
16	General Office Expense		125,413		-	125,413		-	-		125,413		-		125,413
17	Maintenance - other		266,258		(99,049)	167,209			-		167,209		-		167,209
18	Miscellaneous		444,497		(17,337)	427,160		-	-		427,160		-		427,160
19	Depreciation & Amortization		981,508		(88,899)	892,609		-	-		892,609		-		892,609
20	Taxes other than Income		252,671		-	252,671		-	-		252,671		-		252,671
21	Total Operating Expense							<u>.</u>							
22	Before Income Taxes		4,096,942		(253,267)	3,843,675		2,459	-		3,846,134		(3,380)		3,842,754
23	State Income Tax		20,923		(5,570)	15,353		16,037	_		31,390		(22,037)		9,353
24	Federal Income Tax		119,034		10,983	130,017		135,808	-		265,825		(186,618)		79,207
25	Deferred Taxes and ITCs Net		(5,942)		-	(5,942)		-	-		(5,942)		-		(5,942)
26	Total Operating Expenses	_	4,230,957		(247,854)	3,983,103		154,305	-	_	4,137,408		(212,035)	_	3,925,373
27	NET OPERATING INCOME	\$	706,581	\$	247,854	\$ 954,435	\$	252,215	\$ 1	\$	1,206,651	\$	(346,577)	\$	860,074

Staff Rate Base (ICC Staff Exhibit 1.0, Schedule 1.3-P, Column (d)) Staff Overall Rate of Return (ICC Staff Exhibit 6.0, Schedule 6.01)

\$ 11,654,130 7.38%

> (152,091) <u>-3.08%</u>

Revenue Change (Col. (i) Line 3 minus Col. (d), Line 3)

Percentage Revenue Change (Col. (i), Line 30 divided by Col. (d), Line 3)

Docket No. 02-0690 ICC Staff Exhibit 1.0 Schedule 1.2-P Page 1 of 4

Line No.	Description	Interest Synchroniza (Staff Ex. 1. Sch. 1.5-F	ation 0	Reverse Osmosi (Not Applicab	is	Incentive Compensation (Staff Ex. 2.0 Sch. 2.2-P)	Non-Cost of Capital Savings Sharing (Not Applicable)	Ğ (S		Lobbying Expense (Staff Ex. 2.0 Sch. 2.5-P)	Tax Expense (Staff Ex. 3.0 Sch. 3.1-P)	Subtotal Operating Statement Adjustments
	(a)	(b)		(c)		(d)	(e)		(f)	(g)	(h)	(i)
1 2	Operating Revenue	\$	- <u>-</u>	\$	- -	\$ -	\$ -	\$	- -	\$	\$ -	\$ -
3	Total Operating Revenue		-		-	-	-	-	-	-	-	-
4	Uncollectible Accounts Expense		-		-	-	-	-	-	-	-	-
5	Labor		-		-	(24,997)	-	-	-	-	-	(24,997)
6	Fuel & Power		-		-	-	-	-	-	-	-	-
7	Chemicals		-		-	-	-	-	-	-	-	-
8	Waste Disposal		-		-	-	-	-	-	-	-	-
9	Management Fees		-		-	(10,116)	-	-	-	(711)	-	(10,827)
10	Group Insurance		-		-	-	-	-	-	-	-	-
11	Pensions		-		-	-	-	-	-	-	-	-
12	Regulatory Expense		-		-	-	-	-	-	-	-	-
13	Insurance - other		-		-	-	-	-	-	-	-	-
14	Customer Accounting		-		-	-	-	-	-	-	-	-
15	Rents		-		-	-	-	-	-	-	-	-
16	General Office Expense		-		-	-	-	-	-	-	-	-
17	Maintenance - other		-		-	-	-	-	-	-	-	-
18	Miscellaneous		-		-	(1,406)	-	-	5,341	(2,310)	-	1,625
19	Depreciation & Amortization		-		-	-	-	-	-	-	-	-
20	Taxes other than Income								<u>-</u>			
21	Total Operating Expense											
22	Before Income Taxes		-		-	(36,519)	-	-	5,341	(3,021)	-	(34,199)
23	State Income Tax	1,	722		-	1,449	-	-	(212)	120	(17,344)	(14,265)
24	Federal Income Tax	14,	586		-	12,274	-	-	(1,795)	1,015	(88,729)	(62,649)
25	Deferred Taxes and ITCs Ne		-		-	-	-	-	-	-	-	-
26	Total Operating Expenses	16,	308			(22,796)		_	3,334	(1,886)	(106,073)	(111,113)
27	NET OPERATING INCOME	<u>\$ (16,</u>	308)	\$		\$ 22,796	\$ -	\$	(3,334)	\$ 1,886	\$ 106,073	\$ 111,113

Docket No. 02-0690 ICC Staff Exhibit 1.0 Schedule 1.2-P Page 2 of 4

Line No.		Subtotal Operating Statement Adjustment		Reallocate Power Expense (Not Applicable)	C E	eallocate hemical xpense (Not pplicable)	Power Expense (Staff Ex. 3.0 Sch. 3.5-P)	Chemical Expense (Staff Ex. 3.0 Sch. 3.6-P)	Security Costs (Staff Ex. 4.0 Sch. 4.1-P)	Disallowance of Deferred Security Costs (Staff Ex. 4.0 Sch. 4.2-P)	S	Subtotal Operating tatement Ijustments
	(a)	(j)		(k)		(1)	(m)	(n)	(0)	(p)		(q)
1 2	Operating Revenue	\$ -	\$		\$		<u>-</u>	<u> </u>		\$ -	\$	- -
3	Total Operating Revenue		-	-		-	-	-	-	-		-
4	Uncollectible Accounts Expense		-	-		-	-	-	-	-		-
5	Labor	(24,9	97)	-		-	-	-	-	-		(24,997)
6	Fuel & Power		-	-		-	(6,751)	-	-	-		(6,751)
7	Chemicals		-	-		-	-	(225)	-	-		(225)
8	Waste Disposal		-	-		-	-	-	-	-		-
9	Management Fees	(10,8	27)	-		-	-	-	-	-		(10,827)
10	Group Insurance		-	-		-	-	-	-	-		-
11	Pensions		-	-		-	-	-	-	-		-
12	Regulatory Expense		-	-		-	-	-	-	-		-
13	Insurance - other		-	-		-	-	-	-	-		-
14	Customer Accounting		-	-		-	-	-	-	-		-
15	Rents		-	-		-	-	-	-	-		-
16	General Office Expense		-	-		-	-	-	-	-		-
17	Maintenance - other		-	-		-	-	-	82,877	(74,860))	8,017
12	Miscellaneous	1,6	25	-		-	-	-	-	-		1,625
13	Depreciation & Amortization		-	-		-	-	-	-	-		-
14	Taxes other than Income	-				-						<u> </u>
15	Total Operating Expense											
16	Before Income Taxes	(34,1	99)	-		-	(6,751)	(225)	82,877	(74,860))	(33,158)
17	State Income Tax	(14,2	65)	-		-	268	9	(3,289)) 2,971		(14,306)
18	Federal Income Tax	(62,6		-		-	2,269	76	(27,856)			(62,999)
19	Deferred Taxes and ITCs Ne		-	-		-	-	-	· -	-		
20	Total Operating Expenses	(111,1	13)	-		-	(4,214)	(140)	51,732	(46,728)		(110,463)
21	NET OPERATING INCOME	\$ 111,1	13 <u>\$</u>		\$		\$ 4,214	\$ 140	\$ (51,732)	\$ 46,728	\$	110,463

Docket No. 02-0690 ICC Staff Exhibit 1.0 Schedule 1.2-P Page 3 of 4

Line No.		Subtotal Operating Statement Adjustments	New Depreciation Rates (Staff Ex. 4.0 Sch. 4.3-P)	Additions to Plant in Service (Staff Ex. 4.0 Sch. 4.4-P)	Normalize Tank Painting Expense (Staff Ex. 4.0 Sch. 4.5-P)	Deferred Tank Painting (Staff Ex. 4.0 Sch. 4.6-P)	Purchased Water (Not Applicable)	Waste Disposal Surcharge (Not Applicable)	Subtotal Operating Statement Adjustments
	(a)	(r)	(s)	(t)	(u)	(v)	(w)	(x)	(y)
1 2	Operating Revenue	\$ - 	\$ - 	\$ -	\$ - 	\$ - 	\$ - 	\$ -	\$ -
3	Total Operating Revenue	-	-	-	-	-	-	-	-
4	Uncollectible Accounts Expense	-	-	-	-	-	_	-	-
5	Labor	(24,997)	_	_	_	_	-	_	(24,997)
6	Fuel & Power	(6,751)		-	_	_	-	-	(6,751)
7	Chemicals	(225)		_	_	_	-	_	(225)
8	Waste Disposal	(====)	_	-	_	_	_	_	(====)
9	Management Fees	(10,827)	_	_	_	_	_	_	(10,827)
10	Group Insurance	(10,021)	_	_	_	_	_	_	(10,027)
11	Pensions	_	_	_	_	_	_	_	_
12	Regulatory Expense	_	_	-	_	_	_	_	_
13	Insurance - other	_	-	-	_	_	_	_	_
14	Customer Accounting	_	_	-	_	_	_	_	_
15	Rents	_	_	-	_	_	_	_	_
16	General Office Expense	_	_	-	_	_	_	_	_
17	Maintenance - other	8,017	_	-	(107,066)	_	_	_	(99,049)
12	Miscellaneous	1,625	_	-	(101,000)	_	_	_	1,625
13	Depreciation & Amortization	.,020	(81,177)	(8,389)) -	667	_	_	(88,899)
14	Taxes other than Income	-	(0.,)	(0,000)	-	-	-	-	(00,000)
15	Total Operating Expense								
16	Before Income Taxes	(33,158)	(81,177)	(8,389)	(107,066)	667	_	_	(229,123)
10	Delote income Taxes	(33,130)	(01,177)	(0,509)	(107,000)	007			(223,123)
17	State Income Tax	(14,306)	3,222	333	4,249	(26)	-	-	(6,528)
18	Federal Income Tax	(62,999)	27,284	2,820	35,986	(224)	-	-	2,867
19	Deferred Taxes and ITCs Ne	` -	-	-	-	-	-	-	-
20	Total Operating Expenses	(110,463)	(50,671)	(5,236)	(66,831)	417			(232,784)
21	NET OPERATING INCOME	\$ 110,463	\$ 50,671	\$ 5,236	\$ 66,831	\$ (417)	\$ -	\$ -	\$ 232,784

Docket No. 02-0690 ICC Staff Exhibit 1.0 Schedule 1.2-P Page 4 of 4

Line No.	Description	Subtotal Operating Statement Adjustments	Waste Disposal Contract (Not Applicable)	Rents (Staff Ex. 5.0 Sch. 5.6-P)	Charitable Contributions (Staff Ex. 5.0 Sch. 5.7-P)	Community Relations (Staff Ex. 5.0 Sch. 5.8-P)	Advertising (Staff Ex. 5.0 Sch. 5.9-P)	Industry Association Dues (Staff Ex. 5.0 Sch. 5.10-P)	Total Operating Statement Adjustments
	(a)	(z)	(aa)	(ab)	(ac)	(ad)	(ae)	(af)	(ag)
1 2	Operating Revenue	\$ -	\$ - -	\$ - 	\$ - 	\$ - 	\$ - 	\$ - 	\$ -
3	Total Operating Revenue	-			-	-	-	-	-
4	Uncollectible Accounts Expense	-			-	-	-	_	-
5	Labor	(24,997	7)		-	-	-	-	(24,997)
6	Fuel & Power	(6,751	1)	-	-	-	-	-	(6,751)
7	Chemicals	(225	5)		-	-	-	-	(225)
8	Waste Disposal	-	-	-	-	-	-	-	-
9	Management Fees	(10,827	7)		-	-	-	-	(10,827)
10	Group Insurance	-	-	-	-	-	-	-	-
11	Pensions	-	-		-	-	-	-	-
12	Regulatory Expense	-	-		-	-	-	-	-
13	Insurance - other	-	-		-	-	-	-	-
14	Customer Accounting	-	-		-	-	-	-	-
15	Rents	-	-	- (5,182)	-	-	-	-	(5,182)
16	General Office Expense	-	-		-	-	-	-	-
17	Maintenance - other	(99,049	9)		-	-	-	-	(99,049)
12	Miscellaneous	1,625			(457)	(7,863)	(9,536)	(1,106)	(17,337)
13	Depreciation & Amortization	(88,899	9)		-	-	-	-	(88,899)
14	Taxes other than Incom€		<u> </u>	<u> </u>					
15	Total Operating Expense								
16	Before Income Taxes	(229,123	3)	(5,182)) (457)	(7,863)	(9,536)	(1,106)	(253,267)
17	State Income Tax	(6,528	3)	- 206	18	312	378	44	(5,570)
18	Federal Income Tax	2,867		- 1,742		2,643	3,205	372	10,983
19	Deferred Taxes and ITCs Ne	· -			-	-	· -	-	· -
20	Total Operating Expenses	(232,784	1)	(3,234)	(285)	(4,908)	(5,953)	(690)	(247,854)
21	NET OPERATING INCOME	\$ 232,784	<u> </u>	\$ 3,234	\$ 285	\$ 4,908	\$ 5,953	\$ 690	\$ 247,854

Docket No. 02-0690 ICC Staff Exhibit 1.0 Schedule 3-P Page 1 of 1

Illinois-American Water Company Pekin

Rate Base

For the Test Year Ending December 31, 2003

Line No.	Description (a)	_ <u>S</u>	Company Pro Forma Present (Company Schedule B-2)	Staff Adjustments (Staff Ex. 1.0 Sch 1.4 P)		Staff Pro Forma Rate Base (Col. b+c)
1	Utility Plant in Service	\$	20,710,239	\$ (214,515)	\$	20,495,724
2	FAS 109 Reg. Asset-Net of Liability		71,117	-		71,117
3	Less: Accumulated Depreciation		(6,366,825)	44,782		(6,322,043)
4	Net Plant		14,414,531	(169,733)		14,244,798
5	Additions to Rate Base					
6	Cash Working Capital		354,572	(20,546)		334,026
7	Materials & Supplies		67,091	(4,150)		62,941
8	Deferred Charges		377,339	(292,115)		85,224
9	Savings/Sharing		-	-		-
10	3	_	-	-		-
11		-	-	-		-
12		-	-	-		-
13		-	-	-		-
14		-	-	-		-
15		-	-	-		-
16	Deductions From Rate Base					
17	Contributions in Aid of Construction		(1,666,190)	-		(1,666,190)
18	Accum. Depr. On CIAC		541,864	-		541,864
19	Customer Advances		(921,020)	-		(921,020)
20	Deferred Federal Income Taxe		(962,927)	148,379		(814,548)
21	Seferred State Income Taxes		(232,519)	22,387		(210,132)
22	Investment Tax Credit - pre 197'		(2,833)		_	(2,833)
23	Rate Base	\$	11,969,908	\$ (315,778)	\$	11,654,130

Illinois-American Water Company

Adjustments to Rate Base
For the Test Year Ending December 31, 2003
Pekin

Line No.	Description	Reverse Osmosis (Not Applicable)	Accumulated Deferred Taxes (Staff Ex. 3.0 Sch. 3.2-P)	Disallowance of Deferred Security Costs (Staff Ex. 4.0 Sch. 4.2-P)	New Depreciation Rates (Staff Ex. 4.0 Sch. 4.3-P)	Additions to Plant in Service (Staff Ex. 4.0 Sch. 4.4-P)	Deferred Tank Painting (Staff Ex. 4.0 Sch. 4.6-P)	Working Capital (Staff Ex. 5.0 Sch. 5.1-P)	Subtotal Rate Base Adjustments
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Utility Plant in Service	\$ -	\$ -	\$ -	\$ -	\$ (214,515)	\$ -	\$ -	\$ (214,515)
2	FAS 109 Reg. Asset-Net of Liability			-	-	-	-	-	-
3	Less: Accumulated Depreciation		<u>-</u>	<u> </u>	40,588	4,194			44,782
4	Net Plant		-	-	40,588	(210,321)	-	-	(169,733)
5	Additions to Rate Base	-							
6	Cash Working Capital		-	-	-	-	-	(20,546)	(20,546)
7	Materials & Supplies		-	-	-	-	-	-	-
8	Deferred Charges		-	(296,948)	-	-	4,833	-	(292,115)
9	Savings/Sharing		-	-	-	-	-	-	-
10		-	-	-	-	-	-	-	-
11		-	-	-	-	-	-	-	-
12		-	-	-	-	-	-	-	-
13		-	-	-	-	-	-	-	-
14		-	-	-	-	-	-	-	-
15		-	-	-	-	-	-	-	-
16	Deductions From Rate Base		-	-	-	-	-	-	-
17	Contributions in Aid of Construction		-	-	-	-	-	-	-
18	Accum. Depr. On CIAC		-	-	-	-	-	-	-
19	Customer Advances Deferred Federal Income Taxes		40.70		-	1 110	(4.605)	-	440.070
20	Seferred State Income Taxes		- 48,787	,	-	1,410 166	(1,625)	-	148,379
21 22	Investment Tax Credit - pre 1971		- 10,653	11,759	-	100	(191)	-	22,387
22	investment rax credit - pre 1971			<u> </u>					
23	Rate Base	\$ -	\$ 59,440	\$ (185,382)	\$ 40,588	\$ (208,745)	\$ 3,017	\$ (20,546)	\$ (311,628)

Illinois-American Water Company

Adjustments to Rate Base

For the Test Year Ending December 31, 2003 Pekin

Line No.	Description	R	Subtotal ate Base justments	Materials & Supplies (Staff Ex. 5.0 Sch. 5.2-P)		(Source)	 (Source)		(Source)	 (Source)	 (Source)	Total Rate Base Ijustments
	(a)		(j)	(k)		(I)	(m)		(n)	(o)	(p)	(q)
1 2	Utility Plant in Service FAS 109 Reg. Asset-Net of Liability	\$	(214,515)	\$	\$		\$ -	\$		\$ 	\$ 	\$ (214,515)
3	Less: Accumulated Depreciation		44,782	-		-		-	-	-	-	44,782
4	Net Plant		(169,733)	-		-			-	 -	 -	 (169,733)
5	Additions to Rate Base	-										_
6	Cash Working Capital		(20,546)	-		-		-	-	-	-	(20,546)
7	Materials & Supplies		-	(4,150))	-		-	-	-	-	(4,150)
8	Deferred Charges		(292,115)	-		-		-	-	-	-	(292,115)
9	Savings/Sharing		-	-		-		-	-	-	-	-
10		-	-	-		-		-	-	-	-	=
11		-	-	-		-		-	-	-	-	-
12		-	-	-		-		-	-	-	-	-
13		-	-	-		-		-	-	-	-	-
14		-	-	-		-		-	-	-	-	-
15		-	-	-		-		-	-	-	-	-
16	Deductions From Rate Base											
17	Contributions in Aid of Construction		-	-		-		-	-	-	-	-
18	Accum. Depr. On CIAC Customer Advances		-	-		-		-	-	-	-	-
19	Deferred Federal Income Taxes		148,379	-		-		-	-	-	-	- 148,379
20 21	Seferred State Income Taxes		22,387	-		-		-	-	-	-	22,387
21	Investment Tax Credit - pre 1971		22,307	-		_		_	-	_	-	22,307
44	investment rax oredit - pre 1971									 	 	
23	Rate Base	\$	(311,628)	\$ (4,150)) \$		\$ -	\$	-	\$ 	\$ 	\$ (315,778)

Docket No. 02-0690 ICC Staff Exhibit 1.0 Schedule 1.5-P Page 1 of 1

Illinois-American Water Company Interest Synchronization Adjustment For the Test Year Ending December 31, 2003 Pekin

Line No.	Description	Amount	
	(a)	(b)	
1	Utility Plant in Service	\$ 11,654,130 ((1)
2	Weighted Cost of Debt	2.75% ((2)
3	Synchronized Interest Per Staff	320,489	
4	Company Interest Expense	363,885 ((3)
5	Increase (Decrease) in Interest Expense	(43,396)	
6 7	Increase (Decrease) in State Income Tax Expense at 3.969%	<u>\$ 1,722</u>	
8 9	Increase (Decrease) in Federal Income Tax Expense at 35.000%	<u>\$ 14,586</u>	

⁽¹⁾ Source: ICC Staff Ex. 1.0, Schedule 1.3-P, Column (d).(2) Source: ICC Staff Exhibit 6.0, Schedule 6.01.

⁽³⁾ Source: Company Exhibit 12, Schedule C-5, page 6 of 9.

Docket No. 02-0690 ICC Staff Exhibit 1.0 Schedule 1.6-P Page 1 of 1

Illinois-American Water Company Gross Revenue Conversion Factor For the Test Year Ending December 31, 2003 Pekin

Line No.	Description	Rate	Per Staff With Bad Debts	Per Staff Without Bad Debts
	(a)	(b)	(c)	(d)
1	Revenues		1.000000	
2	Uncollectibles	0.6050%	0.006050	
3	State Taxable Income		0.993950	1.000000
4 5	State Income Tax Federal Taxable Income	3.9690%	<u>0.039450</u> 0.954500	0.039690 0.960310
6	Federal Income Tax	35.0000%	0.334075	0.336109
7	Operating Income		0.620425	0.624201
8	Gross Revenue Conversion Factor Per Staf		<u>1.611798</u>	1.602048

Docket No. 02-0690 ICC Staff Exhibit 1.0 Schedule 1.1-L Page 1 of 1

13.68%

Illinois-American Water Company Lincoln

Statement of Operating Income with Adjustments For the Test Year Ending December 31, 2003

																See N	lote	e 1
Line No.	Description	P ((Company ro Forma Present Company nedule C-2)	(Staf	Staff ustments f Ex. 1.0 h. 1.2-L)		Staff Pro Forma Present (Cols. b+c)	F (1	Company Proposed Increase Company nedule C-1)		Staff Gross Revenue Conversion Factor		R:	Proposed ates With Staff djustments ols. d+e+f)	F	djustment To Proposed Increase		Staff Pro Forma Proposed Cols. g+h)
	(a)		(b)		(c)	_	(d)		(e)	_	(f)		, -	(g)		(h)		(i)
	· · ·				(-)						()							
1 2	Operating Revenue	\$	2,871,118 -	\$	<u>-</u>	\$	2,871,118	\$	392,867	\$	-	<u>-</u> -	\$	3,263,985	\$	266,660	\$	3,530,645 <u>-</u>
3	Total Operating Revenue		2,871,118		-		2,871,118		392,867			-		3,263,985		266,660		3,530,645
4	Uncollectible Accounts Expense		18,929		-		18,929		2,377			-		21,306		1,613		22,919
5	Labor		496,319		(10,705)		485,614		-			-		485,614		-		485,614
6 7	Fuel & Power		123,697		(3,017)		120,680		-			-		120,680		-		120,680
/ 8	Chemicals Waste Disposal		41,705		794		42,499		-			-		42,499		-		42,499
9	Management Fees		130,705		(4,636)		126.069		-			-		126,069		_		126,069
10	Group Insurance		145,521		(4,000)		145,521					_		145,521		_		145,521
11	Pensions		64,202		_		64,202		_			_		64,202		_		64,202
12	Regulatory Expense		2,806		_		2,806		_			_		2,806		_		2,806
13	Insurance - other		58,563		_		58,563		_			_		58.563		_		58.563
14	Customer Accounting		24,955		_		24,955		_			_		24,955		_		24,955
15	Rents		15,788		(2,217)		13,571		-			_		13,571		_		13,571
16	General Office Expense		67,209		-		67,209		_			-		67,209		-		67,209
17	Maintenance - other		222,041		364,250		586,291					-		586,291		-		586,291
18	Miscellaneous		291,245		(5,656)		285,589		-			-		285,589		-		285,589
19	Depreciation & Amortization		705,682		(54,405)		651,277		-			-		651,277		-		651,277
20	Taxes other than Income		143,154			_	143,154							143,154				143,154
21	Total Operating Expense																	
22	Before Income Taxes		2,552,521		284,408		2,836,929		2,377			-		2,839,306		1,613		2,840,919
23	State Income Tax		3,288		(9,387)		(6,099)		15,499			-		9,400		10,520		19,920
24	Federal Income Tax		(1,704)		(49,946)		(51,650)		131,247			-		79,597		89,085		168,682
25	Deferred Taxes and ITCs Net		(3,020)			_	(3,020)			_				(3,020)			_	(3,020)
26	Total Operating Expenses		2,551,085		225,075		2,776,160		149,123			<u>-</u> -		2,925,283		101,218		3,026,501
27	NET OPERATING INCOME	\$	320,033	\$	(225,075)	\$	94,958	\$	243,744	\$	-	_ 5	\$	338,702	\$	165,442	\$	504,144
28	Staff Rate Base (ICC Staff Exhibit 1.	0, Sche	dule 1.3-L, C	olumn	(d))												\$	6,831,236
29	Staff Overall Rate of Return (ICC Sta	aff Exhib	oit 6.0, Sched	lule 6.	01)													7.38%
30	Resulting Return on Rate Base (Col.	(g) Line	e 31 divided l	by Col	(i) Line 28)							_		4.96%	_			
31	Revenue Change (Col. (g) Line 3 mi	nus Col	. (d), Line 3)									3	\$	392,867				

Note 1: The Company should be granted the \$392,867 increase requested as explained in ICC Exhibit 1.0, page 4, lines 54-60.

Percentage Revenue Change (Col. (g), Line 31 divided by Col. (d), Line 3)

Docket No. 02-0690 ICC Staff Exhibit 1.0 Schedule 1.2-L Page 1 of 4

Line No.	Description	Sync (Staf	nterest hronization f Ex. 1.0 h. 1.5-L)	(Reverse Osmosis (Not pplicable)	Com (Staf	ncentive npensation f Ex. 2.0 h. 2.2-L)	C Savin	n-Cost of Capital gs Sharing (Not olicable)	Savin (Staff	Cost of Capital gs Sharing Ex. 2.0 n. 2.4-L)	Ex (Staff	obbying xpense Ex. 2.0 n. 2.5-L)	(Staf	Tax Expense If Ex. 3.0 ch. 3.1-L)	O St	Subtotal perating atement ustments
	(a)		(b)		(c)		(d)		(e)		(f)		(g)		(h)		(i)
1	Operating Revenue	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
2	-				-		_				_						
3	Total Operating Revenue		-		-		-		-		-		-		-		-
4	Uncollectible Accounts Expense		-		-		-		_		-		_		-		_
5	Labor		-		-		(10,705)		-		-		-		-		(10,705)
6	Fuel & Power		-		-		-		-		-		-		-		-
7	Chemicals		-		-		-		-		-		-		-		-
8	Waste Disposal		-		-		-		-		-		-		-		-
9	Management Fees		-		-		(4,331)		-		-		(305)		-		(4,636)
10	Group Insurance		-		-		-		-		-		-		-		-
11	Pensions		-		-		-		-		-		-		-		-
12	Regulatory Expense		-		-		-		-		-		-		-		-
13	Insurance - other		-		-		-		-		-		-		-		-
14	Customer Accounting		-		-		-		-		-		-		-		-
15	Rents		-		-		-		-		-		-		-		-
16	General Office Expense		-		-		-		-		-		-		-		-
17	Maintenance - other		-		-		(000)		-		- 0.440		(000)		-		-
18	Miscellaneous		-		-		(602)		-		3,140		(989)		-		1,549
19	Depreciation & Amortization Taxes other than Income		-		-		-		-		-		-		-		-
20															-		_
21	Total Operating Expense																
22	Before Income Taxes		-		-		(15,638)		-		3,140		(1,294)		-		(13,792)
23	State Income Tax		1,036		-		621		-		(125)		51		865		2,448
24	Federal Income Tax		8,776		-		5,256		-		(1,055)		435		36,870		50,282
25	Deferred Taxes and ITCs Ne				-	. <u></u>					<u> </u>						
26	Total Operating Expenses		9,812		-		(9,761)				1,960		(808)		37,735		38,938
27	NET OPERATING INCOME	\$	(9,812)	\$	-	\$	9,761	\$		\$	(1,960)	\$	808	\$	(37,735)	\$	(38,938)

Docket No. 02-0690 ICC Staff Exhibit 1.0 Schedule 1.2-L Page 2 of 4

Line No.	Description	Ope Stat	btotal erating tement stments	E	Reallocate Power Expense (Not pplicable)	C E	eallocate Chemical Expense (Not oplicable)	Pow Exper (Staff Ex. Sch. 3.	nse 3.0	Chemical Expense (Staff Ex. 3.0 Sch. 3.6-L)		Security Costs (Staff Ex. 4.0 Sch. 4.1-L)	of E Secu (Staff	llowance Deferred rity Costs Ex. 4.0 n. 4.2-L)	S	Subtotal Operating Statement Ijustments
	(a)		(j)		(k)		(I)	(m)		(n)		(0)		(p)		(p)
1	Operating Revenue	\$		\$		\$							\$		\$	
2	Operating Nevertue	- -	-	φ	-	φ	-		_		_	-	φ	-	φ	-
3	Total Operating Revenue		-		-		-		-		-			-		-
4	Uncollectible Accounts Expense		-		-		-		_		_	-		-		-
5	Labor		(10,705))	-		-		-		-	-		-		(10,705)
6	Fuel & Power		-		-		-		(3,017)		-	-		-		(3,017)
7	Chemicals		-		-		-		-	79	94	-		-		794
8	Waste Disposal		-		-		-		-		-	-		-		-
9	Management Fees		(4,636))	-		-		-		-	-		-		(4,636)
10	Group Insurance		-	(4,036) -			-		-		-	-		-		-
11	Pensions		-		-		-		-		-	-		-		-
12	Regulatory Expense		-		-		-		-		-	-		-		-
13	Insurance - other		-		-		-		-		-	-		-		-
14	Customer Accounting		-		-		-		-		-	-		-		-
15	Rents		-		-		-		-		-	-		-		-
16	General Office Expense		-		-		-		-		-	-		-		-
17	Maintenance - other		-		-		-		-		-	441,337		-		441,337
12	Miscellaneous		1,549		-		-		-		-	-		-		1,549
13	Depreciation & Amortization		-		-		-		-		-	-		(44,019)		(44,019)
14	Taxes other than Incom€				_									_		_
15	Total Operating Expense															
16	Before Income Taxes		(13,792))	-		-		(3,017)	7:	94	441,337		(44,019)		381,303
17	State Income Tax		2,448		-		-		120	(32)	(17,517)		1,747		(13,234)
18	Federal Income Tax		50,282		-		-		1,014		67)	(148,337)		14,795		(82,513)
19	Deferred Taxes and ITCs Ne		-		-		-		-	•	-	-		-		-
20	Total Operating Expenses	38,938 -			-		(1,883)	4:	95	275,483		(27,477)		285,556		
21	NET OPERATING INCOME	\$	(38,938)	\$	-	\$		\$	1,883	\$ (4	<u>95</u>)	\$ (275,483)	\$	27,477	\$	(285,556)

Docket No. 02-0690 ICC Staff Exhibit 1.0 Schedule 1.2-L Page 3 of 4

Line No.	Description	S	Subtotal perating tatement justments	(Staf	New preciation Rates f Ex. 4.0 ch. 4.3-L)	in (Staff	ditions to Plant Service Ex. 4.0 n. 4.4-L)	Tan E (Staf	ormalize k Painting expense f Ex. 4.0 ch. 4.5-L)	Tank (Staff	eferred Painting Ex. 4.0 . 4.6-L)	W (chased /ater Not licable)	Dis Sur (/aste sposal charge (Not licable)	(Subtotal Operating Statement djustments
	(a)		(r)		(s)		(t)		(u)		(v)		(w)		(x)		(y)
1 2	Operating Revenue	\$	<u>-</u>	\$	- 	\$	- 	\$		\$	- 	\$	- 	\$		\$	
3	Total Operating Revenue		-		-		-		-		-		-		-		-
4	Uncollectible Accounts Expense		-		_		-		-		-		_		-		-
5	Labor		(10,705)		-		-		-		-		-		-		(10,705)
6	Fuel & Power		(3,017)		-		-		-		-		-		-		(3,017)
7	Chemicals		794		-		-		-		-		-		-		794
8	Waste Disposal		-		-		-		-		-		-		-		-
9	Management Fees		(4,636)		-		-		-		-		-		-		(4,636)
10	Group Insurance		· -		-		-		-		-		-		-		· -
11	Pensions		-		-		-		-		-		-		-		-
12	Regulatory Expense		-		-		-		-		-		-		-		-
13	Insurance - other		-		-		-		-		-		-		-		-
14	Customer Accounting		-		-		-		-		-		-		-		-
15	Rents		-		-		-		-		-		-		-		-
16	General Office Expense		-		-		-		-		-		-		-		-
17	Maintenance - other		441,337		-		-		(77,087)		-		-		-		364,250
12	Miscellaneous		1,549		-		-		-		-		-		-		1,549
13	Depreciation & Amortization		(44,019)		(2,470)		(8,396)		-		480		-		-		(54,405)
14	Taxes other than Income						-										
15	Total Operating Expense																
16	Before Income Taxes		381,303		(2,470)		(8,396)		(77,087)		480		-		-		293,830
17	State Income Tax		(13,234)		98		333		3,060		(19)		_		_		(9,762)
18	Federal Income Tax		(82,513)		830		2,822		25,910		(161)		_		_		(53,112)
19	Deferred Taxes and ITCs Ne		-		-		-		-		-		_		_		-
20	Total Operating Expenses		285,556		(1,542)		(5,241)		(48,117)		300						230,956
21	NET OPERATING INCOME	\$	(285,556)	\$	1,542	\$	5,241	\$	48,117	\$	(300)	\$		\$		\$	(230,956)

Docket No. 02-0690 ICC Staff Exhibit 1.0 Schedule 1.2-L Page 4 of 4

Line No.	Description	Subtotal Operating Statement Adjustments	Waste Disposal Contract (Not Applicable)	Rents (Staff Ex. 5.0 Sch. 5.6-L)	Charitable Contributions (Staff Ex. 5.0 Sch. 5.7-L)	Community Relations (Staff Ex. 5.0 Sch. 5.8-L)	Advertising (Staff Ex. 5.0 Sch. 5.9-L)	Industry Association Dues (Staff Ex. 5.0 Sch. 5.10-L)	Total Operating Statement Adjustments
	(a)	(z)	(aa)	(ab)	(ac)	(ad)	(ae)	(af)	(ag)
1 2	Operating Revenue	\$ - -	\$ - 	\$ - 	\$ - 	\$ - 	\$ - 	\$ - 	\$ -
3	Total Operating Revenue	-		-	-	-	-	-	-
4	Uncollectible Accounts Expense	-			-	-	-	-	-
5	Labor	(10,705	5) -		-	-	-	-	(10,705)
6	Fuel & Power	(3,017	')		-	-	-	-	(3,017)
7	Chemicals	794			-	-	-	-	794
8	Waste Disposal	-			-	-	-	-	-
9	Management Fees	(4,636	6) -		-	-	-	-	(4,636)
10	Group Insurance	-			-	-	-	-	-
11	Pensions	-			-	-	-	-	-
12	Regulatory Expense	-			-	-	-	-	-
13	Insurance - other	-			-	-	-	-	-
14	Customer Accounting	-			-	-	-	-	-
15	Rents	-		(2,217)	-	-	-	-	(2,217)
16	General Office Expense	-	-	-	-	-	-	-	-
17	Maintenance - other	364,250) -	-	-	-	-	-	364,250
12	Miscellaneous	1,549	-	-	(196)	(2,459)	(4,076)	(474)	(5,656)
13	Depreciation & Amortization	(54,405	5) -	-	-	-	-	-	(54,405)
14	Taxes other than Incom€		<u> </u>	<u> </u>					
15	Total Operating Expense								
16	Before Income Taxes	293,830		(2,217)	(196)	(2,459)	(4,076)	(474)	284,408
17	State Income Tax	(9,762	2) -	- 88	8	98	162	19	(9,387)
18	Federal Income Tax	(53,112		745	66	826	1,370	159	(49,946)
19	Deferred Taxes and ITCs Ne	-	-	-	-	-	-	-	-
20	Total Operating Expenses	230,956	-	(1,384)	(122)	(1,535)	(2,544)	(296)	225,075
21	NET OPERATING INCOME	\$ (230,956	S) <u>\$ -</u>	\$ 1,384	\$ 122	\$ 1,535	\$ 2,544	\$ 296	\$ (225,075)

Docket No. 02-0690 ICC Staff Exhibit 1.0 Schedule 1.3-L Page 1 of 1

Illinois-American Water Company Lincoln Rate Base

For the Test Year Ending December 31, 2003

Line No.	Description		 	Company Pro Forma Rate Base (Company Chedule C-2)		Staff Adjustments (Staff Ex. 1.0 Sch 1.4-L)	 Staff Pro Forma Rate Base (Col. b+c)
	(a)			(b)		(c)	(d)
1	Utility Plant in Service	;	\$	14,608,304	\$	(187,186)	\$ 14,421,118
2	FAS 109 Reg. Asset-Net of Liability			30,457		-	30,457
3	Less: Accumulated Depreciation			(7,007,281)		5,433	(7,001,848)
4	Net Plant			7,631,480		(181,753)	7,449,727
5	Additions to Rate Base						
6	Cash Working Capital			297,873		60,004	357,877
7	Materials & Supplies			91,113		(5,659)	85,454
8	Deferred Charges			270,162		(171,130)	99,032
9	Savings/Sharing			-		-	-
10		-		-		-	-
11		-		-		-	-
12		-		-		-	-
13 14		-		-		-	-
		-		-		-	-
15 16	Deductions From Rate Base	-		-		-	-
17	Contributions in Aid of Construction			(686,523)		_	(686,523)
18	Accum. Depr. On CIAC			129,567		_	129,567
19	Customer Advances			(182,061)		_	(182,061)
20	Deferred Federal Income Taxe			(412,375)		79,823	(332,552)
21	Seferred State Income Taxes			(99,577)		11,505	(88,072)
22	Investment Tax Credit - pre 1971			(1,213)	_		 (1,213)
23	Rate Base	9	\$	7,038,446	\$	(207,210)	\$ 6,831,236

Illinois-American Water Company

Adjustments to Rate Base For the Test Year Ending December 31, 2003 Lincoln

Line No.	Description	Reverse Osmosis (Not Applicable)	Defei (Staff	umulated red Taxes Ex. 3.0 n. 3.2-L)	Disallowance of Deferred Security Costs (Staff Ex. 4.0 Sch. 4.2-L)	New Depreciation Rates (Staff Ex. 4.0 Sch. 4.3-L)	Additions to Plant in Service (Staff Ex. 4.0 Sch. 4.4-L)	Deferred Tank Painting (Staff Ex. 4.0 Sch. 4.6-L)	Working Capital (Staff Ex. 5.0 Sch. 5.1-L)	Subtotal Rate Base Adjustments
	(a)	(b)		(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Utility Plant in Service	\$ -	\$	_	\$ -	\$ -	\$ (187,186)	\$ -	\$ -	\$ (187,186)
2	FAS 109 Reg. Asset-Net of Liability	•	-	-	-	-	-	-	-	-
3	Less: Accumulated Depreciation		<u>-</u>	<u>-</u>		1,235	4,198			5,433
4	Net Plant	·	-	-	-	1,235	(182,988)	-	-	(181,753)
5	Additions to Rate Base	-								
6	Cash Working Capital		-	-	-	-	-	-	60,004	60,004
7	Materials & Supplies		-	-	-	-	-	-	-	-
8	Deferred Charges		-	-	(174,610)	-	-	3,480	-	(171,130)
9	Savings/Sharing		-	-	-	-	-	-	-	-
10		-	-	-	-	-	-	-	-	-
11		-	-	-	-	-	-	-	-	-
12		-	-	-	-	-	-	-	-	-
13		-	-	-	-	-	-	-	-	-
14		-	-	-	-	-	-	-	-	-
15		-	-	-	-	-	-	-	-	-
16	Deductions From Rate Base		-	-	-	-	-	-	-	-
17	Contributions in Aid of Construction		-	-	-	-	-	-	-	-
18	Accum. Depr. On CIAC		-	-	-	-	-	-	-	-
19	Customer Advances		-	-	-	-	-	- (4.400)	-	70.000
20	Deferred Federal Income Taxes		-	20,893	58,688	-	1,411	(1,169)		79,823
21 22	Seferred State Income Taxes Investment Tax Credit - pre 1971		-	4,562	6,915	-	166	(138)	-	11,505
22	investment rax credit - pre 1971									<u>-</u>
23	Rate Base	\$ -	\$	25,455	\$ (109,007)	\$ 1,235	\$ (181,411)	\$ 2,173	\$ 60,004	\$ (201,551)

Illinois-American Water Company

Adjustments to Rate Base

For the Test Year Ending December 31, 2003 Lincoln

Line No.		R	Subtotal ate Base ustments	Materials & Supplies (Staff Ex. 5.0 Sch. 5.2-L)		(Source)		(Source)		(Source)		(Source)		(Source)		Total ate Base justments
4		\$			\$		¢		\$, ,	\$. ,	\$.,	\$	
2	Utility Plant in Service FAS 109 Reg. Asset-Net of Liability	Ф	(187,186)	Φ -	- Ф	-	- Ф	-	- Ф		-		Ф		Ф	(187,186)
3	Less: Accumulated Depreciation		5,433		_		_		_			_		_		5,433
4	Net Plant		(181,753)									-		_		(181,753)
		-	, ,													, ,
5	Additions to Rate Base															-
6	Cash Working Capital		60,004		-		-		-	-	-	-		-		60,004
7	Materials & Supplies		-	(5,6	59)		-		-	-	•	-		-		(5,659)
8	Deferred Charges		(171,130)		-		-		-	-	-	-		-		(171,130)
9	Savings/Sharing		-		-		-		-	-	•	-		-		-
10		-	-		-		-		-	-	-	-		-		-
11		-	-		-		-		-	-	-	-		-		-
12		-	-		-		-		-	-	•	-		-		-
13		-	-		-		-		-	-	-	-		-		-
14		-	-		-		-		-		-	-		-		-
15	Deductions From Rate Base	-	-		-		-		-	-	•	-		-		-
16 17	Contributions in Aid of Construction															
18	Accum. Depr. On CIAC		-		-		-		-	•	-	-		-		-
19	Customer Advances		_				_		_		_	_		_		_
20	Deferred Federal Income Taxes		79,823		_		_		_			_		_		79,823
21	Seferred State Income Taxes		11,505		_		_		_			_		_		11,505
22	Investment Tax Credit - pre 1971						-		_	-	-	_				
										•						
23	Rate Base	\$	(201,551)	\$ (5,65	59) \$	-	\$	-	\$	-	\$	-	\$		\$	(207,210)

Docket No. 02-0690 ICC Staff Exhibit 1.0 Schedule 1.5-L Page 1 of 1

Illinois-American Water Company Interest Synchronization Adjustment For the Test Year Ending December 31, 2003 Lincoln

Line No.	Description		Amount	
	(a)		(b)	
1	Utility Plant in Service	\$	6,831,236	(1)
2	Weighted Cost of Debt		2.75%	(2)
3	Synchronized Interest Per Staff		187,859	
4	Company Interest Expense		213,969	(3)
5	Increase (Decrease) in Interest Expensε	_	(26,110)	
6 7	Increase (Decrease) in State Income Tax Expense at 3.969%	\$	1,036	
8 9	Increase (Decrease) in Federal Income Tax Expensi at 35.000%	\$	8,776	

(1) Source: ICC Staff Ex. 1.0, Schedule 1.3-L, Column (d).(2) Source: ICC Staff Exhibit 6.0, Schedule 6.01.

(3) Source: Company Exhibit 12, Schedule C-5, page 7 of 9.

Docket No. 02-0690 ICC Staff Exhibit 1.0 Schedule 1.6-L Page 1 of 1

Illinois-American Water Company Gross Revenue Conversion Factor For the Test Year Ending December 31, 2003 Lincoln

Line No.	Description	Rate	Per Staff With Bad Debts	Per Staff Without Bad Debts
	(a)	(b)	(c)	(d)
1	Revenues		1.000000	
2	Uncollectibles	0.6050%	0.006050	
3	State Taxable Income		0.993950	1.000000
4 5	State Income Tax Federal Taxable Income	3.9690%	0.039450 0.954500	<u>0.039690</u> 0.960310
6	Federal Income Tax	35.0000%	0.334075	0.336109
7	Operating Income		0.620425	0.624201
8	Gross Revenue Conversion Factor Per Staf		<u>1.611798</u>	1.602048

Docket No. 02-0690 ICC Staff Exhibit 1.0 Schedule 1.1-CMW Page 1 of 1

Illinois-American Water Company Chicago Metro - Water

Statement of Operating Income with Adjustments For the Test Year Ending December 31, 2003

Line No.	Description	Company Pro Forma Present (Company Schedule C-2)	Staff Adjustments (Staff Ex. 1.0 Sch. 1.2-CMW)	Staff Pro Forma Present (Cols. b+c)	Company Proposed Increase (Company Schedule C-1)	Staff Gross Revenue Conversion Factor	Proposed Rates With Staff Adjustments (Cols. d+e+f)	Adjustment To Proposed Increase	Staff Pro Forma Proposed (Cols. g+h)
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Operating Revenue	\$ 30,729,759	\$ (14,216,306)	\$ 16,513,453	\$ 10,458,540	\$ 2	\$ 26,971,995	\$ (3,667,156)	\$ 23,304,839
2									
3	Total Operating Revenue	30,729,759	(14,216,306)	16,513,453	10,458,540	2	26,971,995	(3,667,156)	23,304,839
4	Uncollectible Accounts Expense	147,229	(86,009)	61,220	63,274	-	124,494	(22,186)	102,308
5	Labor	2,666,642	(88,217)	2,578,425	-	-	2,578,425	-	2,578,425
6	Purchased Water	14,186,124	(14,186,124)	-	-	-	-	-	-
7	Fuel & Power	720,288	(368,928)	351,360	-	-	351,360	-	351,360
8	Chemicals	27,744	(20,586)	7,158	-	-	7,158	-	7,158
9	Waste Disposal	-	=	-	-	-	-	-	-
10	Management Fees	1,077,115	(38,208)	1,038,907	-	-	1,038,907	-	1,038,907
11	Group Insurance	744,940	=	744,940	-	-	744,940	-	744,940
12	Pensions	344,946	=	344,946	-	-	344,946	-	344,946
13	Regulatory Expense	23,126	=	23,126	-	-	23,126	-	23,126
14	Isurance - Other	482,608	-	482,608	-	-	482,608	-	482,608
15	Customer Accounting	286,421	-	286,421	-	-	286,421	-	286,421
16	Rents	313,081	(7,555)	305,526	-	-	305,526	-	305,526
17	General Office Expense	172,398	-	172,398		-	172,398	-	172,398
18	Maintenance - Other	1,681,339	(1,652,639)	28,700		-	28,700	-	28,700
19	Miscellaneous	3,687,766	21,398	3,709,164	-	-	3,709,164	-	3,709,164
20	Depreciation & Amortization	5,068,931	(504,299)	4,564,632	-	-	4,564,632	-	4,564,632
21	Taxes other than Income	1,432,143	-	1,432,143	-	-	1,432,143	-	1,432,143
22	Total Operating Expense								
23	Before Income Taxes	33,062,841	(16,931,167)	16,131,674	63,274	-	16,194,948	(22,186)	16,172,762
24	State Income Tax	(150,415)	88,281	(62,134)	412,588	1	350,455	(144,669)	205,786
25	Federal Income Tax	(1,686,197)	1,160,022	(526,175)	3,493,937	-	2,967,762	(1,225,107)	1,742,655
26	Deferred Taxes and ITCs Net	(42,143)	-	(42,143)	-	-	(42,143)	-	(42,143)
27	Total Operating Expenses	31,184,086	(15,682,864)	15,501,222	3,969,799	1	19,471,022	(1,391,962)	18,079,060
28	NET OPERATING INCOME	\$ (454,327)	\$ 1,466,558	\$ 1,012,231	\$ 6,488,741	\$ 1	\$ 7,500,973	\$ (2,275,194)	\$ 5,225,779

²⁹ Staff Rate Base (ICC Staff Exhibit 1.0, Schedule 1.3-CMW, Column (d))

\$ 70,809,989 7.38%

\$ 6,791,386 41.13%

Staff Overall Rate of Return (ICC Staff Exhibit 6.0, Schedule 6.01)

³¹ Revenue Change (Col. (i) Line 3 minus Col. (d), Line 3)

³² Percentage Revenue Change (Col. (i), Line 30 divided by Col. (d), Line 3)

Docket No. 02-0690 ICC Staff Exhibit 1.0 Schedule 1.2-CMW Page 1 of 4

Illinois-American Water Company

Line No.	Description	Synchi (Staff E	erest conizatior ex. 1.0 5-CMW)	Osr 1)	verse nosis Not icable)	Compo	entive ensatior (x. 2.0 2-CMW)	Ca Saving (Staff E	Cost of apital s Sharing Ex. 2.0 3-CMW)	Ca Saving (Staff E	est of apital s Sharing fx. 2.0 4-CMW)	Ex (Staff I	obying pense Ex. 2.0 :.5-CMW)	Ex (Staff E	Tax pense Ex. 3.0 :.1-CMW)	Op Sta	ubtotal perating atement ustments
	(a)		(b)	((c)	((d)		(e)		(f)		(g)		(h)		(i)
1	Operating Revenue	\$	_	\$	_	\$	_	\$	_	\$	_	\$	_	\$	-	\$	_
2			<u>-</u>		-		<u>-</u>		<u>-</u>		<u>-</u>		_		<u>-</u>		<u> </u>
3	Total Operating Revenue		-		-		-		-		-		-		-		-
4	Uncollectible Accounts Expense		_		-		-		_		-		_		_		-
5	Labor		-		-		(88,217)		-		-		-		-		(88,217)
6	Purchased Water		-		-		-		-		-		-		-		-
7	Fuel & Power		-		-		-		-		-		-		-		-
8	Chemicals		-		-		-		-		-		-		-		-
9	Waste Disposal		-		-		-		-		-		-		-		-
10	Management Fees		-		-		(35,698)		-		-		(2,510)		-		(38,208)
11	Group Insurance		-		-		-		-		-		-		-		-
12	Pensions		-		-		-		-		-		-		-		-
13	Regulatory Expense		-		-		-		-		-		-		-		-
14	Isurance - Other		-		-		-		-		-		-		-		-
15	Customer Accounting		-		-		-		-		-		-		-		-
16	Rents		-		-		-		-		-		-		-		-
17	General Office Expense		-		-		-		-		-		-		-		-
18	Maintenance - Othe		-		-		-		-		-		-		-		-
19	Miscellaneous		-		-		(4,963)		(30,502)		71,328		(8,152)		-		27,711
20	Depreciation & Amortization		-		-		-		-		-		-		-		-
21	Taxes other than Income				-												
22	Total Operating Expense																
23	Before Income Taxes		-		-		(128,878)		(30,502)		71,328		(10,662)		-		(98,714)
24	State Income Tax		13,611		-		5,115		1,211		(2,831)		423		(33,084)		(15,555)
25	Federal Income Tax		115,265		-		43,317		10,252		(23,974)		3,584		132,268		280,712
26	Deferred Taxes and ITCs Ne				-												
27	Total Operating Expenses		128,876				(80,446)		(19,039)		44,523		(6,655)		99,184		166,443
28	NET OPERATING INCOME	\$	(128,876)	\$	-	\$	80,446	\$	19,039	\$	(44,523)	\$	6,655	\$	(99,184)	\$	(166,443)

Docket No. 02-0690 ICC Staff Exhibit 1.0 Schedule 1.2-CMW Page 2 of 4

Illinois-American Water Company

Line No.	Description	(Subtotal Operating Statement djustments	(Sta	Reallocate Power Expense iff Ex. 3.0 i. 3.3-CMW)	C E (Staff	eallocate hemical xpense Ex. 3.0 3.4-CMW)	Power Expense (Staff Ex. 3.0 Sch. 3.5-CMW)	Chemical Expense (Staff Ex. 3.0 Sch. 3.6-CMW)	Security Costs (Staff Ex. 4.0 Sch. 4.1-CMW)	S (S	Disallowance of Deferred Security Costs staff Ex. 4.0 ch. 4.2-CMW)	Subtotal Operating Statement Adjustments
	(a)		(j)		(k)		(I)	(m)	(n)	(0)		(p)	(p)
1	Operating Revenue	\$	_	\$	_	\$	_				\$	-	\$ -
2		-	-		-		-	-	-	-		-	-
3	Total Operating Revenue		-		-		-	-		-		-	-
4	Uncollectible Accounts Expense		_		-		_	-	-	-		-	-
5	Labor		(88,217)		-		-	-	-	-		-	(88,217)
6	Purchased Water		-		-		-	-	-	-		-	-
7	Fuel & Power		-		(360,144)		-	(8,784)	-	-		-	(368,928)
8	Chemicals		-		-		(18,496)	-	(2,090)	-		-	(20,586)
9	Waste Disposal		-		-		-	-	-	-		-	-
10	Management Fees		(38,208)		-		-	-	-	-		-	(38,208)
11	Group Insurance		-		-		-	-	-	-		-	-
12	Pensions		-		-		-	-	-	-		-	-
13	Regulatory Expense		-		-		-	-	-	-		-	-
14	Isurance - Other		-		-		-	-	-	-		-	-
15	Customer Accounting		-		-		-	-	-	-		-	-
16	Rents		-		-		-	-	-	-		-	-
17	General Office Expense		-		-		-	-	-	-		-	-
18	Maintenance - Othe		-		-		-	-	-	(1,050,929)	-	(1,050,929)
19	Miscellaneous		27,711		-		-	-	-	-		-	27,711
20	Depreciation & Amortization		-		-		-	-	-	-		(405,776)	(405,776)
21	Taxes other than Income		<u>-</u>								_		
22	Total Operating Expense												
23	Before Income Taxes		(98,714)		(360,144)		(18,496)	(8,784)	(2,090)	(1,050,929))	(405,776)	(1,944,933)
24	State Income Tax		(15,555)		14,294		734	349	83	41,711		16,105	57,721
25	Federal Income Tax		280,712		121,048		6,217	2,952	702	353,227		136,385	901,243
26	Deferred Taxes and ITCs Ne				<u> </u>								
27	Total Operating Expenses		166,443		(224,802)		(11,545)	(5,483)	(1,305)	(655,991)	(253,286)	(985,969)
28	NET OPERATING INCOME	\$	(166,443)	\$	224,802	\$	11,545	\$ 5,483	\$ 1,305	\$ 655,991	\$	253,286	\$ 985,969

Docket No. 02-0690 ICC Staff Exhibit 1.0 Schedule 1.2-CMW Page 3 of 4

Illinois-American Water Company

Line No.	Description	Subtotal Operating Statement Adjustments	New Depreciatior Rates (Staff Ex. 4.0 Sch. 4.3-CMW)	Additions to Plant in Service (Staff Ex. 4.0 Sch. 4.4-CMW)	Normalize Tank Painting Expense (Staff Ex. 4.0 Sch. 4.5-CMW)	Deferred Tank Painting (Staff Ex. 4.0 Sch. 4.6-CMW)	Purchased Water (Staff Ex. 5.0 Sch. 5.3-CMW)	Waste Disposal Surcharge (Not Applicable)	Subtotal Operating Statement Adjustments
	(a)	(r)	(s)	(t)	(u)	(v)	(w)	(x)	(y)
1 2	Operating Revenue	\$	\$	\$	\$	\$	\$ (14,216,306)	\$	\$ (14,216,306)
3	Total Operating Revenue	-	-	-		-	(14,216,306)	-	(14,216,306)
4	Uncollectible Accounts Expense	-	-	-	-	-	(86,009)	-	(86,009)
5	Labor	(88,217)	-	-	-	-	`	-	(88,217)
6	Purchased Water	-	-	-	-	-	(14,186,124)	-	(14,186,124)
7	Fuel & Power	(368,928)	-	_	-	_	-	-	(368,928)
8	Chemicals	(20,586)		_	-	_	_	-	(20,586)
9	Waste Disposal	-	-	_	-	_	_	-	-
10	Management Fees	(38,208)	-	_	-	-	_	-	(38,208)
11	Group Insurance	-	_	_	_	_	_	-	-
12	Pensions	_	_	_	_	_	_	-	_
13	Regulatory Expense	_	_	_	_	_	_	-	_
14	Isurance - Other	_	_	_	_	_	_	-	_
15	Customer Accounting	_	_	_	_	_	_	_	_
16	Rents	_	_	_	_	_	_	_	_
17	General Office Expense	_	_	_	_	_	_	_	_
18	Maintenance - Othe	(1,050,929)	_	_	(601,710)	_	_	_	(1,652,639)
19	Miscellaneous	27,711	_	_	(001,110)	_	_	_	27,711
20	Depreciation & Amortization	(405,776)	(55,246)	(70,071)	-	26,794	_	_	(504,299)
21	Taxes other than Income	(100,110)	(00,210)	- (10,011)	_	-	_	-	(001,200)
22	Total Operating Expense								
23	Before Income Taxes	(1,944,933)	(55,246)	(70,071)	(601,710)	26,794	(14,272,133)	-	(16,917,299)
24	State Income Tax	57,721	2,193	2,781	23,882	(1,063)	2,216		87,730
	Federal Income Tax	901,243	18,569	23,551	202,240	(9,006)	,	-	1,155,361
25 26	Deferred Taxes and ITCs Ne	901,243	10,309	23,331	202,240	(9,000)	10,704	-	1,100,001
		(005,000)	(0.4.40.4)	(40.700)	(075 500)	40.705	(44.054.450)		(45.074.000)
27	Total Operating Expenses	(985,969)	(34,484)	(43,739)	(375,588)	16,725	(14,251,153)		(15,674,208)
28	NET OPERATING INCOME	\$ 985,969	\$ 34,484	\$ 43,739	\$ 375,588	\$ (16,725)	\$ 34,847	\$ -	\$ 1,457,902

Docket No. 02-0690 ICC Staff Exhibit 1.0 Schedule 1.2-CMW Page 4 of 4

Illinois-American Water Company

Line No.	Description	Subtotal Operating Statemenl Adjustments	Waste Disposal Contract (Not Applicable)	Rents (Staff Ex. 5.0 Sch. 5.6-CMW)	Charitable Contributions (Staff Ex. 5.0 Sch. 5.7-CMW)	Community Relations (Staff Ex. 5.0 Sch. 5.8-CMW)	Advertising (Not Applicable)	Industry Association Dues (Staff Ex. 5.0 Sch. 5.10-CMW)	Total Operating Statement Adjustments
	(a)	(z)	(aa)	(ab)	(ac)	(ad)	(ae)	(af)	(ag)
1 2	Operating Revenue	\$ (14,216,306)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (14,216,306)
3	Total Operating Revenue	(14,216,306)						-	(14,216,306)
4	Uncollectible Accounts Expense	(86,009)	-	-	-	-	-	-	(86,009)
5	Labor	(88,217)	-	-	-	-	-	-	(88,217)
6	Purchased Water	(14,186,124)	-	-	-	-	-	-	(14,186,124)
7	Fuel & Power	(368,928)	-	-	-	-	-	-	(368,928)
8	Chemicals	(20,586)	-	-	-	-	-	-	(20,586)
9	Waste Disposal	-	-	-	-	-	-	-	<u>-</u>
10	Management Fees	(38,208)	-	-	-	-	-	-	(38,208)
11	Group Insurance	-	-	-	-	-	-	-	-
12	Pensions	-	-	-	-	-	-	-	-
13	Regulatory Expense	-	-	-	-	-	-	-	-
14	Isurance - Other	-	-	-	-	-	-	-	-
15	Customer Accounting	-	-	-	-	-	-	-	-
16	Rents	-	-	(7,555)	-	-	-	-	(7,555)
17	General Office Expens€	-	-	-	-	-	-	-	<u>-</u>
18	Maintenance - Othe	(1,652,639)	-	-	-	-	-	-	(1,652,639)
19	Miscellaneous	27,711	-	-	(1,613)	(796)	-	(3,904)	21,398
20	Depreciation & Amortization	(504,299)	-	-	-	-	-	-	(504,299)
21	Taxes other than Income	<u>-</u> _			<u>-</u> _			<u>-</u> _	
22	Total Operating Expense								
23	Before Income Taxes	(16,917,299)	-	(7,555)	(1,613)	(796)	-	(3,904)	(16,931,167)
24	State Income Tax	87,730	-	300	64	32	-	155	88,281
25	Federal Income Tax	1,155,361	-	2,539	542	268	-	1,312	1,160,022
26	Deferred Taxes and ITCs Ne	-	-	-	-	-	-	-	-
27	Total Operating Expenses	(15,674,208)	_	(4,716)	(1,007)	(496)	-	(2,437)	(15,682,864)
28	NET OPERATING INCOME	\$ 1,457,902	\$ -	\$ 4,716	\$ 1,007	\$ 496	\$ -	\$ 2,437	\$ 1,466,558

Docket No. 02-0690 ICC Staff Exhibit 1.0 Schedule 1.3-CMW Page 1 of 1

Illinois-American Water Company Chicago Metro - Water Rate Base

For the Test Year Ending December 31, 2003

Line No.	Description (a)		Company Pro Forma Rate Base (Company Schedule B-2)	(8	Staff adjustments Staff Ex. 1.0 h 1.4-CMW) (c)		Staff Pro Forma Rate Base (Col. b+c)
1	Utility Plant in Service		\$ 146,823,096	\$	(1,907,087)	\$	144,916,009
2	FAS 109 Reg. Asset-Net of Liability		250,981	Ψ	(1,907,007)	Ψ	250,981
3	Utility Plant Acquisition Adj Dupage		141,028		_		141,028
3	Less: Accumulated Depreciation		(34,712,156)		(5,625)		(34,717,781)
4	Net Plant		112,502,949		(1,912,712)		110,590,237
5	Additions to Rate Base						
6	Cash Working Capital		3,298,927		(2,042,608)		1,256,319
7	Materials & Supplies		331,313		(20,476)		310,837
8	Deferred Charges		1,665,050		(1,347,767)		317,283
9	Savings/Sharing		156,250		-		156,250
10	-	-	-		-		-
11		-	-		-		-
12		-	-		-		-
13		-	-		-		-
14		-	-		-		-
15		-	-		-		-
16	Deductions From Rate Base						
17	Contributions in Aid of Construction		(28,450,704)		-		(28,450,704)
18	Accum. Depr. On CIAC		7,886,367		68,281		7,954,648
19	Customer Advances		(5,705,412)		-		(5,705,412)
20	Bolingbrook Acquisition Rate Base Adj.		(12,119,864)		-		(12,119,864)
21	Deferred Federal Income Taxes		(3,398,311)		636,947		(2,761,364)
22	Deferred State Income Taxes		(820,596)		92,354		(728,242)
23	Investment Tax Credit - pre 197		(9,999)		-	_	(9,999)
24	Rate Base		\$ 75,335,970	\$	(4,525,981)	\$	70,809,989

Illinois-American Water Company

Line No.	Description (a)	Osr (۱) Appli	erse nosis lot cable)	Defer (Staff	imulated red Taxes Ex. 3.0 3.2-CMW)	Disallor of Dei Security (Staff Ex Sch. 4.2	ferred y Costs x. 4.0 -CMW)	Deprison Find Staff I	New reciation Rates Ex. 4.03-CMW)	ir (Sta	dditions to Plant n Service off Ex. 4.0 1. 4.4-CMW)	Defer Tank Pa (Staff Ex. Sch. 4.6-	ainting . 4.0 -CMW)	Ca (Staff E Sch. 5	orking apital Ex. 5.0 .1-CMW)	R	Subtotal tate Base ljustments (i)
	LINE DI LI OLI	•		•		•		•		•	(4.007.007)	•		•		•	(4.007.007)
1	Utility Plant in Service	\$	-	\$	-	\$	-	\$	-	\$	(1,907,087)	\$	-	\$	-	\$	(1,907,087)
2	FAS 109 Reg. Asset-Net of Liability Utility Plant Acquisition Adj Dupage		-		-		-		-		-		-		-		-
3	Less: Accumulated Depreciation		-		-		-		(40,660)		35,035		-		-		(5,625)
-	•																
4	Net Plant		-		-		-		(40,660)		(1,872,052)		-		-		(1,912,712)
5	Additions to Rate Base	-															
6	Cash Working Capital		_		_		_		_		_		_	(2	2,042,608)		(2,042,608)
7	Materials & Supplies		_		_		_		_		_		_	_	-,- :=,,		-
8	Deferred Charges		-		_	(1,	542,024)		_		-	1	94,257		_		(1,347,767)
9	Savings/Sharing		-		-		-		_		-		´ -		-		-
10		-	-		-		-		-		-		-		-		-
11		-	-		-		-		-		-		-		-		-
12		-	-		-		-		-		-		-		-		-
13		-	-		-		-		-		-		-		-		-
14		-	-		-		-		-		-		-		-		-
15		-	-		-		-		-		-		-		-		-
16	Deductions From Rate Base		-		-		-		-		-		-		-		-
17	Contributions in Aid of Construction		-		-		-		-		-		-		-		-
18	Accum. Depr. On CIAC		-		-		-		68,281		-		-		-		68,281
19	Customer Advances		-		-		-		-		-		-		-		-
20	Bolingbrook Acquisition Rate Base Adj.		-						-		-		-		-		
20	Deferred Federal Income Taxes		-		172,175	,	518,288		-		11,776	((65,292)		-		636,947
21	Deferred State Income Taxes		-		37,596		61,064		-		1,387		(7,693)		-		92,354
22	Investment Tax Credit - pre 1971							-									
23	Rate Base	\$		\$	209,771	\$ (962,672)	\$	27,621	\$	(1,858,889)	\$ 1	21,272	\$ (2	2,042,608)	\$	(4,505,505)

Illinois-American Water Company

Adjustments to Rate Base

For the Test Year Ending December 31, 2003 Chicago Metro - Water

Materials

Line No.	Description		Subtotal Rate Base djustments	& Supplie (Staff Ex. 5. Sch. 5.2-CM	es 0	(Source)	. <u></u>	(Source)	 (Source)		(Source)	 (Source)	Total Rate Base djustments
	(a)		(j)	(k)		(1)		(m)	(n)		(0)	(p)	(q)
1	Utility Plant in Service	\$	(1,907,087)	\$	-	\$ -	\$	-	\$ -	\$	-	\$ -	\$ (1,907,087)
2	FAS 109 Reg. Asset-Net of Liability		-		-	-		-	-		-	-	-
3	Utility Plant Acquisition Adj Dupage		-		-	-		-	-	•	-	-	-
3	Less: Accumulated Depreciation		(5,625)			-			 			 	 (5,625)
4	Net Plant		(1,912,712)		-	-		-	-		-	-	(1,912,712)
5	Additions to Rate Base	-											-
6	Cash Working Capital		(2,042,608)		-	-		-	-	•	-	-	(2,042,608)
7	Materials & Supplies		-	(20	,476)	-		-	-		-	-	(20,476)
8	Deferred Charges		(1,347,767)		-	-		-	-		-	-	(1,347,767)
9	Savings/Sharing		-		-	-		-	-		-	-	-
10		-	-		-	-		-	-	•	-	-	-
11		-	-		-	-		-	-		-	-	-
12		-	-		-	-		-	-	•	-	-	-
13		-	-		-	-		-	-	•	-	-	-
14		-	-		-	-		-	-		-	-	-
15		-	-		-	-		-	-		-	-	-
16	Deductions From Rate Base												
17	Contributions in Aid of Construction		-		-	-		-	-	•	-	-	-
18	Accum. Depr. On CIAC		68,281		-	-		-	-	•	-	-	68,281
19	Customer Advances		-		-	-		-	-	•	-	-	-
20 20	Bolingbrook Acquisition Rate Base Adj. Deferred Federal Income Taxes		636,947		-	-		-	-	•	-	-	636,947
	Deferred State Income Taxes		92,354		-	-		-	-	•	-	-	92,354
21 22	Investment Tax Credit - pre 1971		92,354		-	-		-	-	•	_	-	92,304
22	investment rax Gredit - pre 1971	_				-			 -			 	
23	Rate Base	\$	(4,505,505)	\$ (20	<u>,476</u>)	\$ -	\$		\$ -	\$	-	\$ 	\$ (4,525,981)

Docket No. 02-0690 ICC Staff Exhibit 1.0 Schedule 1.5-CMW Page 1 of 1

Illinois-American Water Company

Interest Synchronization Adjustment For the Test Year Ending December 31, 2003 Chicago Metro - Water

Line No.	Description	Amount	
-101	(a)	(b)	
1	Utility Plant in Service	\$ 70,809,989 ((1)
2	Weighted Cost of Debt	2.75% ((2)
3	Synchronized Interest Per Staff	1,947,275	
4	Company Interest Expense	2,290,213 ((3)
5	Increase (Decrease) in Interest Expense	(342,938)	
6 7	Increase (Decrease) in State Income Tax Expense at 3.969%	\$ 13,611	
8 9	Increase (Decrease) in Federal Income Tax Expensi at 35.000%	<u>\$ 115,265</u>	

(1) Source: ICC Staff Ex. 1.0, Schedule 1.3-CMW, Column (d).(2) Source: ICC Staff Exhibit 6.0, Schedule 6.01.(3) Source: Company Exhibit 12, Schedule C-5, page 8 of 9.

Docket No. 02-0690 ICC Staff Exhibit 1.0 Schedule 1.6-CMW Page 1 of 1

Illinois-American Water Company Gross Revenue Conversion Factor For the Test Year Ending December 31, 2003 Chicago Metro - Water

Line No.	Description	Rate	Per Staff With Bad Debts	Per Staff Without Bad Debts
	(a)	(b)	(c)	(d)
1	Revenues		1.000000	
2	Uncollectibles	0.6050%	0.006050	
3	State Taxable Income		0.993950	1.000000
4 5	State Income Tax Federal Taxable Income	3.9690%	<u>0.039450</u> 0.954500	0.039690 0.960310
6	Federal Income Tax	35.0000%	0.334075	0.336109
7	Operating Income		0.620425	0.624201
8	Gross Revenue Conversion Factor Per Staf		<u>1.611798</u>	1.602048

Docket No. 02-0690 ICC Staff Exhibit 1.0 Schedule 1.1-CMS Page 1 of 1

Illinois-American Water Company Chicago Metro - Sewer

Statement of Operating Income with Adjustments

For the Test Year Ending December 31, 2003

Line No.	Description	Company Pro Forma Present (Company Schedule C-2)	Staff Adjustments (Staff Ex. 1.0 Sch. 1.2-CMS)	Staff Pro Forma Present (Cols. b+c)	Company Proposed Increase (Company Schedule C-1)	Staff Gross Revenue Conversion Factor	Proposed Rates With Staff Adjustments (Cols. d+e+f)	Adjustment To Proposed Increase	Staff Pro Forma Proposed (Cols. g+h)
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1 2	Operating Revenue	\$ 9,623,640	\$ (800,857)	\$ 8,822,783	\$ 3,059,280	\$	\$ 11,882,063 -	\$ (355,375)	\$ 11,526,688 -
3	Total Operating Revenue	9,623,640	(800,857)	8,822,783	3,059,280	-	11,882,063	(355,375)	11,526,688
4	Uncollectible Accounts Expense	46,344	(4,845)	41,499	18,509	-	60,008	(2,150)	57,858
5	Labor	1,025,842	(67,592)	958,250	-	-	958,250	-	958,250
6	Fuel & Power	-	351,360	351,360	-	-	351,360	=	351,360
7	Chemicals	-	14,315	14,315	-	-	14,315	=	14,315
8	Waste Disposal	741,792	(741,792)	-	-	-	-	=	-
9	Management Fees	825,286	(29,862)	795,424	-	-	795,424	=	795,424
10	Group Insurance	182,097	-	182,097	-	-	182,097	-	182,097
11	Pensions	132,699	-	132,699	-	-	132,699	-	132,699
12	Regulatory Expense	17,719	-	17,719	-	-	17,719	-	17,719
13	Isurance - Other	369,774	-	369,774	-	-	369,774	-	369,774
14	Customer Accounting	202,181	-	202,181	-	-	202,181	-	202,181
15	Rents	238,174	(5,788)	232,386	-	-	232,386	-	232,386
16	General Office Expense	132,086	-	132,086		-	132,086	-	132,086
17	Maintenance - Other	49,896	-	49,896		-	49,896	-	49,896
18	Miscellaneous	1,457,817	16,378	1,474,195	-	-	1,474,195	-	1,474,195
19	Depreciation & Amortization	2,043,779	(71,006)	1,972,773	-	-	1,972,773	-	1,972,773
20	Taxes other than Income	832,412	-	832,412	-	-	832,412	-	832,412
21	Total Operating Expense	,							
22	Before Income Taxes	8,297,898	(538,832)	7,759,066	18,509	-	7,777,575	(2,150)	7,775,425
23	State Income Tax	38,948	(37,440)	1,508	120,688	-	122,196	(14,020)	108,176
24	Federal Income Tax	78,704	(65,939)	12,765	1,022,029	-	1,034,794	(118,722)	916,072
25	Deferred Taxes and ITCs Net	(25,660)		(25,660)		-	(25,660)	-	(25,660)
26	Total Operating Expenses	8,389,890	(642,211)	7,747,679	1,161,226		8,908,905	(134,892)	8,774,013
27	NET OPERATING INCOME	\$ 1,233,750	<u>\$ (158,646)</u>	\$ 1,075,104	\$ 1,898,054	\$ -	\$ 2,973,158	<u>\$ (220,483)</u>	\$ 2,752,675

Staff Rate Base (ICC Staff Exhibit 1.0, Schedule 1.3-CMS, Column (d)) Staff Overall Rate of Return (ICC Staff Exhibit 6.0, Schedule 6.01)

Revenue Change (Col. (i) Line 3 minus Col. (d), Line 3)

Percentage Revenue Change (Col. (i), Line 30 divided by Col. (d), Line 3)

\$ 37,299,111 7.38%

2,703,905 30.65%

Docket No. 02-0690 ICC Staff Exhibit 1.0 Schedule 1.2-CMS Page 1 of 4

Illinois-American Water Company

Line No.	Description	Interest Synchronization (Staff Ex. 1.0 Sch. 1.5-CMS)	Reverse Osmosis (Not Applicable)	Incentive Compensation (Staff Ex. 2.0 Sch. 2.2-CMS)	Non-Cost of Capital Savings Sharing (Staff Ex. 2.0 Sch. 2.3-CMS)	Cost of Capital Savings Sharing (Staff Ex. 2.0 Sch. 2.4-CMS)	Lobbying Expense (Staff Ex. 2.0 Sch. 2.5-CMS)	Tax Expense (Staff Ex. 3.0 Sch. 3.1-CMS)	Subtotal Operating Statement Adjustments
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Operating Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2		·		-					
3	Total Operating Revenue	-	-	-	-	-	-	-	-
4	Uncollectible Accounts Expense	-	-	-	-	-	-	-	-
5	Labor	-	-	(67,592)	-	-	-	-	(67,592)
6	Fuel & Power	-	-	-	-	-	-	-	<u>-</u>
7	Chemicals	-	-	-	-	-	-	-	-
8	Waste Disposal	-	-	-	-	-	-	-	-
9	Management Fees	_	-	(27,352)	-	-	(2,510)	-	(29,862)
10	Group Insurance	-	-	-	-	-	-	-	-
11	Pensions	_	-	-	-	-	-	-	_
12	Regulatory Expense	-	-	-	-	-	-	-	-
13	Isurance - Other	_	-	-	-	-	-	-	_
14	Customer Accounting	_	-	-	-	-	-	-	_
15	Rents	_	-	-	_	_	-	-	_
16	General Office Expense	_	-	-	_	_	-	-	_
17	Maintenance - Other	_	-	-	_	_	-	-	_
18	Miscellaneous	_	-	(3,804)	(23,362)	54,627	(6,246)	-	21,215
19	Depreciation & Amortization	_	-	-	-	-	-	-	-
20	Taxes other than Income	-	-	-	-	-	-	-	-
21	Total Operating Expense								
22	Before Income Taxes	_	_	(98,748)	(23,362)	54,627	(8,756)	_	(76,239)
	Boloro moomo raxoo			(00,1 10)	(20,002)	01,027	(0,100)		(10,200)
23	State Income Tax	6,464	-	3,919	927	(2,168)	348	(33,505)	(24,015)
24	Federal Income Tax	54,743	-	33,190	7,852	(18,361)	2,943	(32,610)	
25	Deferred Taxes and ITCs Ne	- ,,	-	-	-	-	-	-	-
26	Total Operating Expenses	61,207		(61,639)	(14,583)	34,098	(5,465)	(66,115)	(52,497)
20	Total Operating Expenses	01,207		(01,000)	(14,000)	0-1,000	(0,-100)	(00,110)	(02,401)
27	NET OPERATING INCOME	\$ (61,207)	\$ -	\$ 61,639	\$ 14,583	\$ (34,098)	\$ 5,465	\$ 66,115	\$ 52,497

Docket No. 02-0690 ICC Staff Exhibit 1.0 Schedule 1.2-CMS Page 2 of 4

Illinois-American Water Company

Line No.	Description	Subtota Operatir Stateme Adjustme	ng nt		wer ense k. 3.0	Reallocate Chemical Expense (Staff Ex. 3.0 Sch. 3.4-CMS)	Power Expense (Staff Ex. 3.0 Sch. 3.5-CMS)	Chemical Expense (Staff Ex. 3.0 Sch. 3.6-CMS)	Security Costs (Not Applicable)	Disallowance of Deferred Security Costs (Not Applicable)	s O	Subtotal perating tatement justments
	(a)	(j)		(k	:)	(I)	(m)	(n)	(0)	(p)		(q)
1	Operating Revenue	\$	_	\$	_	\$ -				\$ -	\$	_
2	operating revenue	-	-	Ψ	_	Ψ		-	-	Ψ	- Ψ	_
3	Total Operating Revenue		-		-		-		-		-	
4	Uncollectible Accounts Expense		_		-			-	-		-	-
5	Labor	(67	,592)		-		-	-	-		-	(67,592)
6	Fuel & Power		-	3	360,144		- (8,784)	-	-		-	351,360
7	Chemicals		-		-	18,496	-	(4,181)	-		-	14,315
8	Waste Disposal		-		-		-	-	-		-	-
9	Management Fees	(29	,862)		-		-	-	-		-	(29,862)
10	Group Insurance		-		-		-	-	-		-	-
11	Pensions		-		-		-	-	-		-	-
12	Regulatory Expense		-		-		-	-	-		-	-
13	Isurance - Other		-		-		-	-	-		-	-
14	Customer Accounting		-		-		-	-	-		-	-
15	Rents		-		-		-	-	-		-	-
16	General Office Expense		-		-		-	-	-		-	-
17	Maintenance - Other		-		-			-	-		-	-
18	Miscellaneous	21	,215		-		-	-	-		-	21,215
19	Depreciation & Amortization		-		-			-	-		-	-
20	Taxes other than Incom€						<u> </u>				<u> </u>	<u> </u>
21	Total Operating Expense											
22	Before Income Taxes	(76	,239)	3	360,144	18,496	(8,784)	(4,181)	-		-	289,436
23	State Income Tax	(24	,015)		(14,294)	(734	349	166	-		-	(38,528)
24	Federal Income Tax	47	,757 [°]	(1	121,048)	(6,217		1,405	-		-	(75,151)
25	Deferred Taxes and ITCs Ne		_	`			<u> </u>					
26	Total Operating Expenses	(52	,497)		224,802	11,545	(5,483)	(2,610)			_	175,757
27	NET OPERATING INCOME	\$ 52	,497	\$ (2	224,802)	\$ (11,545	5) \$ 5,483	\$ 2,610	\$ -	\$ -	\$	(175,757)

Docket No. 02-0690 ICC Staff Exhibit 1.0 Schedule 1.2-CMS Page 3 of 4

Illinois-American Water Company

Line No.	Description	Subtotal Operating Statement Adjustments	New Depreciation Rates (Not Applicable)	Additions to Plant in Service (Staff Ex. 4.0 Sch. 4.4-CMS)	Normalize Tank Painting Expense (Not Applicable)	Deferred Tank Painting (Not Applicable)	Purchased Water (Not Applicable)	Waste Disposal Surcharge (Staff Ex. 5.0 Sch. 5.4-CMS)	Subtotal Operating Statement Adjustments
	(a)	(r)	(s)	(t)	(u)	(v)	(w)	(x)	(y)
1 2	Operating Revenue	\$ -	\$ -	\$	\$ -	\$ -	\$	\$ (800,857)	\$ (800,857)
3	Total Operating Revenue	-	-	-	-	-	-	(800,857)	(800,857)
4	Uncollectible Accounts Expense	-	-	-	-	-	-	(4,845)	(4,845)
5	Labor	(67,592)	-	-	-	-	-	-	(67,592)
6	Fuel & Power	351,360	-	-	-	-	-	-	351,360
7	Chemicals	14,315	_	-	_	_	-	-	14,315
8	Waste Disposal	-	-	-	_	_	-	(741,792)	(741,792)
9	Management Fees	(29,862)	_	_	_	_	_	-	(29,862)
10	Group Insurance	(,,	_	_	_	_	_	_	(==,===)
11	Pensions	_	_	_	_	_	_	_	_
12	Regulatory Expense	_	_	_	_	_	_	_	_
13	Isurance - Other	_	_	_	_	_	_	_	_
14	Customer Accounting	_	_	_	_	_	_	_	_
15	Rents	_	_	_	_	_	_	_	_
16	General Office Expense	_	_	_	_	_	_	_	_
17	Maintenance - Other	_	_	_	_	_	_	_	_
18	Miscellaneous	21,215	_	_	_	_	_	_	21,215
19	Depreciation & Amortization	21,210	_	(71,006)	_	_	_	_	(71,006)
20	Taxes other than Income	_	_	(71,000)	_	_	_	_	(71,000)
21	Total Operating Expense				-				·
22	Before Income Taxes	289,436		(71.006)				(746 627)	(529 207)
22	before income taxes	209,430	-	(71,006)	-	-	-	(746,637)	(528,207)
23	State Income Tax	(38,528)	-	2,818	_	_	-	(2,152)	(37,862)
24	Federal Income Tax	(75,151)	_	23,866	_	_	-	(18,224)	(69,509)
25	Deferred Taxes and ITCs Ne	-	-	-	_	-	-	-	-
26	Total Operating Expenses	175,757		(44,322)				(767,013)	(635,578)
27	NET OPERATING INCOME	\$ (175,757)	\$ -	\$ 44,322	\$ -	\$ -	\$ -	\$ (33,844)	\$ (165,279)

Docket No. 02-0690 ICC Staff Exhibit 1.0 Schedule 1.2-CMS Page 4 of 4

Illinois-American Water Company

Line No.	Description	Subtotal Operating Statement Adjustments	Waste Disposal Contract (Not Applicable)	Rents (Staff Ex. 5.0 Sch. 5.6-CMS)	Charitable Contributions (Staff Ex. 5.0 Sch. 5.7-CMS)	Community Relations (Staff Ex. 5.0 Sch. 5.8-CMS)	Advertising (Not Applicable)	Industry Association Dues (Staff Ex. 5.0 Sch. 5.10-CMS)	Total Operating Statement Adjustments	
	(a)	(z)	(aa)	(ab)	(ac)	(ad)	(ae)	(af)	(ag)	
1 2	Operating Revenue	\$ (800,857)	\$ - 	\$ -	\$ -	\$ - 	\$ -	\$ - 	\$ (800,857)	
3	Total Operating Revenue	(800,857)	-	-	-	-	-	-	(800,857)	
4	Uncollectible Accounts Expense	(4,845)	-	-	-	-	-	-	(4,845)	
5	Labor	(67,592)	_	_	_	_	_	_	(67,592)	
6	Fuel & Power	351,360	_	_	_	_	_	_	351,360	
7	Chemicals	14,315	_	_	_	_	_	_	14,315	
8	Waste Disposal	(741,792)	_	_	_	_	_	_	(741,792)	
9	Management Fees	(29,862)	_	_	_	_	_	_	(29,862)	
10	Group Insurance	(==,===)	_	_	_	_	_	_	(==,===,	
11	Pensions	_	_	_	_	_	_	_	_	
12	Regulatory Expense	_	_	-	-	_	_	_	_	
13	Isurance - Other	_	_	-	-	_	_	_	_	
14	Customer Accounting	_	_	_	_	_	_	_	_	
15	Rents	_	_	(5,788)	_	_	_	_	(5,788)	
16	General Office Expense	-	-	(=,:==)	-	-	-	_	-	
17	Maintenance - Other	-	-	-	-	-	-	_	_	
18	Miscellaneous	21,215	-	-	(1,236)	(610)	-	(2,991)	16,378	
19	Depreciation & Amortization	(71,006)	-	-	-	. ,	-	-	(71,006)	
20	Taxes other than Income	-	-	-	-	-	-	-	-	
21	Total Operating Expense						·			
22	Before Income Taxes	(528,207)	_	(5,788)	(1,236)	(610)	_	(2,991)	(538,832)	
22	Before moome raxes	(020,201)		(0,700)	(1,200)	(010)		(2,001)	(000,002)	
23	State Income Tax	(37,862)	_	230	49	24	_	119	(37,440)	
24	Federal Income Tax	(69,509)	_	1,945	415	205	_	1,005	(65,939)	
25	Deferred Taxes and ITCs Ne	-	_	-	-	-	-		(,	
26	Total Operating Expenses	(635,578)		(3,613)	(772)	(381)		(1,867)	(642,211)	
20	Total Operating Expenses	(000,070)		(0,010)	(112)	(301)		(1,307)	(072,211)	
27	NET OPERATING INCOME	\$ (165,279)	\$ -	\$ 3,613	\$ 772	\$ 381	\$ -	\$ 1,867	\$ (158,646)	

Docket No. 02-0690 ICC Staff Exhibit 1.0 Schedule 1.3-CMS Page 1 of 1

Illinois-American Water Company Chicago Metro - Sewer Rate Base

For the Test Year Ending December 31, 2003

			Company				
			Pro Forma		Staff		Staff
			Present	Α	djustments		Pro Forma
Line			(Company		taff Ex. 1.0		Rate Base
No.	Description	S	chedule B-2)	Sc	h 1.4-CMS)	_	(Col. b+c)
	(a)		(b)		(c)		(d)
1	Utility Plant in Service	\$	94,769,422	\$	(1,940,059)	\$	92,829,363
2	FAS 109 Reg. Asset-Net of Liability		192,301		-		192,301
3	Utility Plant Acquisition Adj Dupage		108,006		-		108,006
3	Less: Accumulated Depreciation		(15,066,043)		35,503		(15,030,540)
4	Net Plant		80,003,686		(1,904,556)		78,099,130
5	Additions to Rate Base						
6	Cash Working Capital		669,706		(57,873)		611,833
7	Materials & Supplies		181,415		(11,221)		170,194
8	Deferred Charges		_		-		-
9	Savings/Sharing		119,664		-		119,664
10	-		-		-		-
11	-		-		-		-
12	-		-		-		-
13 14	-		-		-		-
	-		-		-		-
15 16	Deductions From Rate Base		-		-		-
17	Contributions in Aid of Construction		(51,391,233)		_		(51,391,233)
18	Accum. Depr. On CIAC		12,755,648		_		12,755,648
19	Customer Advances		12,700,040		_		12,700,040
20	Deferred Federal Income Taxe		(2,603,789)		143,854		(2,459,935)
21	Seferred State Income Taxes		(628,741)		30,212		(598,529)
22	Investment Tax Credit - pre 197		(7,661)		,		(7,661)
	into an area of our pro-to-		(1,001)			_	(1,001)
23	Rate Base	\$	39,098,695	\$	(1,799,584)	\$	37,299,111

Illinois-American Water Company

Line No.		Reve Osm (N Applic	osis ot able)	Accumulated Deferred Taxes (Staff Ex. 3.0 Sch. 3.2-CMS)	Disallowance of Deferred Security Costs (Not Applicable)	New Depreciation Rates (Not Applicable)	Additions to Plant in Service (Staff Ex. 4.0 Sch. 4.4-CMS)	Deferred Tank Painting (Not Applicable) (g)	Working Capital (Staff Ex. 5.0 Sch. 5.1-CMS)	Subtotal Rate Base Adjustments
1	Utility Plant in Service	\$	_	\$ -	\$ -	\$ -	\$ (1,940,059)	\$ -	\$ -	\$ (1,940,059)
2	FAS 109 Reg. Asset-Net of Liability	•	_	-		,		-	-	-
3	Utility Plant Acquisition Adj Dupage		_	-	-			_	_	_
3	Less: Accumulated Depreciation		-	_	-		- 35,503	-	_	35,503
4	Net Plant		_				- (1,904,556)			(1,904,556)
		_					(,, ,,)			(1,001,000)
5	Additions to Rate Base									
6	Cash Working Capital		-	-	-			-	(57,873)	(57,873)
7	Materials & Supplies		-	-	-			-		-
8	Deferred Charges		-	-	-			-	-	-
9	Savings/Sharing		-	-	-			-	-	-
10		-	-	-	-			-	-	-
11		-	-	-	-			-	-	-
12		-	-	-	-			-	-	-
13		-	-	-	-			-	-	-
14		-	-	-	-			-	-	-
15		-	-	-	-			-	-	-
16	Deductions From Rate Base		-	-	-			-	-	-
17	Contributions in Aid of Construction		-	-	-			-	-	-
18	Accum. Depr. On CIAC		-	-	-			-	-	-
19	Customer Advances		-	-	-			-	-	-
20	Deferred Federal Income Taxes		-	131,921	-		- 11,933	-	-	143,854
21	Seferred State Income Taxes		-	28,806	-		- 1,406	-	-	30,212
22	Investment Tax Credit - pre 1971				. <u> </u>		<u>-</u>			
23	Rate Base	\$	-	\$ 160,727	\$ -	\$ -	\$ (1,891,217)	\$ -	\$ (57,873)	\$ (1,788,363)

Illinois-American Water Company

Adjustments to Rate Base
For the Test Year Ending December 31, 2003
Chicago Metro - Sewer

Materials

Line			Subtotal Rate Base	& Supplies (Staff Ex. 5.0												Total Rate Base
No.	Description		djustments	Sch. 5.2-CMS)		(Source)		(Source)		(Source)	(8	Source)		(Source)	Α	djustments
	(a)		(j)	(k)		(1)		(m)		(n)		(0)		(p)		(p)
1	Utility Plant in Service	\$	(1,940,059)	\$ -	\$	-	\$	-	\$	-	\$	-	\$	-	\$	(1,940,059)
2	FAS 109 Reg. Asset-Net of Liability		-	-		-		-		-		-		-		-
3	Utility Plant Acquisition Adj Dupage		-	-		-		-		-		-		-		-
3	Less: Accumulated Depreciation		35,503						_				_		_	35,503
4	Net Plant		(1,904,556)	-		-		-		-		-		-		(1,904,556)
5	Additions to Rate Base	_														-
6	Cash Working Capital		(57,873)	-		-		-		-		-		-		(57,873)
7	Materials & Supplies		-	(11,221))	-		-		-		-		-		(11,221)
8	Deferred Charges		-	-		-		-		-		-		-		-
9	Savings/Sharing		-	-		-		-		-		-		-		-
10		-	-	-		-		-		-		-		-		-
11		-	-	-		-		-		-		-		-		-
12		-	-	-		-		-		-		-		-		-
13		-	-	-		-		-		-		-		-		-
14		-	-	-		-		-		-		-		-		-
15 16	Deductions From Rate Base	-	-	-		-		-		-		-		-		-
17	Contributions in Aid of Construction															
18	Accum. Depr. On CIAC		_	_		_		_		_		_		_		_
19	Customer Advances		_	_		_		_		_		_		_		_
20	Deferred Federal Income Taxes		143,854	_		_		_		_		_		_		143,854
21	Seferred State Income Taxes		30,212	-		-		-		-		-		-		30,212
22	Investment Tax Credit - pre 1971	_	<u> </u>		_				_							<u> </u>
22	Rate Base	¢	(1 700 262)	¢ (11.004)	\ c		\$		¢		¢		\$		\$	(1 700 594)
23	Nate Dase	φ	(1,788,363)	\$ (11,221)) <u>Þ</u>		φ		φ		φ		φ		φ	(1,799,584)

Docket No. 02-0690 ICC Staff Exhibit 1.0 Schedule 1.5-CMS Page 1 of 1

Illinois-American Water Company

Interest Synchronization Adjustment For the Test Year Ending December 31, 2003 Chicago Metro - Sewer

Line		
No.	Description	Amount
	(a)	(b)
1	Utility Plant in Service	\$ 37,299,111 (1)
2	Weighted Cost of Debt	2.75% (2)
3	Synchronized Interest Per Staff	1,025,726
4	Company Interest Expense	1,188,600 (3)
5	Increase (Decrease) in Interest Expensε	(162,874)
6 7	Increase (Decrease) in State Income Tax Expense at 3.969%	\$ 6,464
8	Increase (Decrease) in Federal Income Tax Expensi at 35.000%	<u>\$ 54,743</u>

⁽¹⁾ Source: ICC Staff Ex. 1.0, Schedule 1.3-CMS, Column (d). (2) Source: ICC Staff Exhibit 6.0, Schedule 6.01.

⁽³⁾ Source: Company Exhibit 12, Schedule C-5, page 9 of 9.

Docket No. 02-0690 ICC Staff Exhibit 1.0 Schedule 1.6-CMS Page 1 of 1

Illinois-American Water Company Gross Revenue Conversion Factor For the Test Year Ending December 31, 2003 Chicago Metro - Sewer

Line No.	Description	Rate	Per Staff With Bad Debts	Per Staff Without Bad Debts		
	(a)	(b)	(c)	(d)		
1	Revenues		1.000000			
2	Uncollectibles	0.6050%	0.006050			
3	State Taxable Income		0.993950	1.000000		
4 5	State Income Tax Federal Taxable Income	3.9690%	<u>0.039450</u> 0.954500	<u>0.039690</u> 0.960310		
6	Federal Income Tax	35.0000%	0.334075	0.336109		
7	Operating Income		0.620425	0.624201		
8	Gross Revenue Conversion Factor Per Staf		<u>1.611798</u>	1.602048		